

## WATERFIELD FINANCIAL AND INVESTMENT ADVISORS PRIVATE LIMITED

### Portfolio Management Services –Disclosure Document

1. This disclosure document (“**Disclosure Document**”) has been filed with the Securities and Exchange Board of India along with the certificate in the specified format in terms of Regulation 22 of the Securities and Exchange Board of India (Portfolio Managers) Regulations, 2020.
2. The purpose of the Disclosure Document is to provide essential information about the portfolio services in a manner to assist and enable the investors in making informed decisions for engaging Waterfield Financial and Investment Advisors Private Limited as a Portfolio Manager.
3. The necessary information about the Portfolio Manager required by an investor before investing is disclosed in the Disclosure Document. Investors should carefully read the entire Disclosure Document before making a decision to avail portfolio management services from Waterfield Financial and Investment Advisors Private Limited and should retain the Disclosure Document for future reference.
4. Details of the Portfolio Manager are as follows:

Name of the Portfolio Manager : Waterfield Financial and Investment Advisor Private Limited

SEBI Registration Number : INP000007818

Registered Office Address : 142, Maker Chamber VI, 220 Jamnalal Bajaj Marg, Nariman Point, Mumbai, Maharashtra, India, 400021.

Telephone number : 022 66210700

Fax number : NA

E-mail address : [pms@waterfieldadvisors.com](mailto:pms@waterfieldadvisors.com)

Website : [www.waterfieldadvisors.com](http://www.waterfieldadvisors.com)

5. Details of the Principal Officer designated by the Portfolio Manager are as follows:

Name of the Principal Officer : Mr. Shantanu Bhargava

Address : 1501-A, Amanda, Hiranandani Meadows, Gladys Alvares Road, Thane, Mumbai, 4000607

Telephone number : 022 66210700

E – mail address : [shantanu.bhargava@waterfeildadvisors.com](mailto:shantanu.bhargava@waterfeildadvisors.com).

This Disclosure Document is dated December 04, 2023

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## 1. DISCLAIMER

The particulars of this Disclosure Document have been prepared in accordance with the Securities and Exchange Board of India (Portfolio Managers) Regulations, 2020 (“**PMS Regulations**”) and filed with the Securities and Exchange Board of India (“**SEBI**”). This Disclosure Document has neither been approved nor disapproved by SEBI nor has SEBI certified the accuracy or adequacy of the contents of this Disclosure Document.

## 2. DEFINITIONS AND INTERPRETATION

**2.1 “Applicable Laws”** means the laws of the Republic of India and includes rules and regulations issued pursuant to and under such laws, including the PMS Regulations.

**2.2 “Accreditation Agency”** means a subsidiary of a recognized stock exchange or a subsidiary of a depository or any other entity as may be specified by the SEBI from time to time.

**2.3 “Accredited Investor”** means any person who has been granted a certificate by the accreditation agency who:

(a) in case of an individual, Hindu undivided family, family trust or sole proprietorship has:

(i) annual income of at least INR 2 crores; or

(ii) net worth of at least INR 7.5 crores, out of which not less than INR 3.75 crores is in the form of financial assets; or

(iii) annual income of at least INR 1 crore and minimum net worth of INR 5 crores out of which not less than INR 2.5 crores is in the form of financial assets.

(b) in case of a body corporate, has net worth of at least INR 50 crores;

(c) in case of a trust other than family trust, has net worth of at least INR 50 crores;

(d) in case of a partnership firm set up under the Indian Partnership Act, 1932, each partner independently meets the eligibility criteria for accreditation:

Provided that the central government and the state governments of India, developmental agencies set up under the aegis of the central government or the state governments of India, funds set up by the central government or the state governments of India, qualified institutional buyers as defined under the SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2018, Category I foreign portfolio investors, sovereign wealth funds and multilateral agencies and any other entity as may be specified by the SEBI from time to time, shall be deemed to be an accredited investor and may not be required to obtain a certificate of accreditation.

**2.4 “Agreement” or “Portfolio Management Services Agreement” or “PMS Agreement”** means the portfolio management agreement executed between the Portfolio Manager and its Clients in accordance with the PMS Regulations.

**2.5 “Client” or “Investor”** means any person who enters into an Agreement for availing the Portfolio Management Services offered by the Portfolio Manager.

- 2.6** “**Compliance Officer**” means the officer, not being the Principal Officer appointed in terms of Regulation 7(2)(d) of the PMS Regulations or employee of the Portfolio Manager appointed in terms of Regulation 7(2)(e) of the PMS Regulations, who shall be responsible for monitoring the compliance of the Portfolio Manager with the SEBI Act, 1992 rules and regulations, notifications, guidelines, instructions etc., issued by SEBI or the central government of India and for redressal of Clients’ grievances.
- 2.7** “**Discretionary Portfolio Management Services**” or “**Discretionary Services**” means portfolio management services rendered to the Client by the Portfolio Manager on the terms and conditions contained in the Agreement, where the Portfolio Manager exercises any degree of discretion in the investment or management of the Portfolio or the Funds of the Client, as the case may be.
- 2.8** “**Disclosure Document**” or “**Document**” shall mean this disclosure document filed by the Portfolio Manager with SEBI and as maybe amended by the Portfolio Manager from time to time.
- 2.9** “**Funds**” means the monies managed by the Portfolio Manager on behalf of the Client pursuant to the PMS Agreement and includes the investment amount mentioned in the account opening form, any monies placed by the Client with the Portfolio Manager from time to time for the purposes of being managed pursuant to the PMS Agreement, the proceeds of the sale or other realization of the Portfolio and interest, dividends and other monies arising from the Portfolio investments, so long as the same is managed by the Portfolio Manager.
- 2.10** “**GIFT**” means Gujarat International Finance-Tech City.
- 2.11** “**INR**” means Indian Rupees.
- 2.12** “**Large Value Accredited Investor**” means an accredited investor who has entered into an agreement with the portfolio manager for a minimum investment amount of INR 10 crores.
- 2.13** “**Non-Discretionary Portfolio Management Services**” or “**Non-Discretionary Services**” means portfolio management services rendered to the Client by the Portfolio Manager on the terms and conditions contained in the Agreement, where the Portfolio Manager acts on the instructions received from the Client with regard to investment or management of Portfolio or Funds of the Client and will exercise no discretion as to the investment or management of the Portfolio.
- 2.14** “**Parties**” shall refer to the Portfolio Manager and the Client collectively, and “**Party**” shall refer to the Portfolio Manager and the Client severally.
- 2.15** “**PMS Regulations**” means the Securities and Exchange Board of India (Portfolio Managers) Regulations, 2020, as amended, modified, restated, and/or re-enacted from time to time. The term ‘**PMS Regulations**’ shall also deem to include all guidelines, directions, regulations, rules and notifications issued by the government or any statutory or regulatory authority or SEBI for the operation and management of portfolio managers, or any legislation in regard thereto, if applicable to the Portfolio Manager
- 2.16** “**Portfolio Manager**” means Waterfield Financial and Investment Advisors Private Limited, a private limited company incorporated under the Companies Act, 1956.
- 2.17** “**Portfolio Guidelines**” is the primary source of investment decision-making for the Portfolio Manager on behalf of the Client. Topics like strategic asset allocation targets & ranges for each

asset class, degree of manager concentration, rebalancing norms & ranges, quality guidelines for asset classes & specific guidelines – the imposition of restriction on specific securities would feature in the investment policy and would then drive portfolio construction & maintenance processes. The Portfolio Manager would get the Portfolio Guidelines executed by the Client before the start of portfolio deployment process.

- 2.18** “**Portfolio**” means the total holdings of Securities and Funds managed by the Portfolio Manager on behalf of the Client pursuant to the PMS Agreement and includes any Securities and Funds mentioned in the account opening form, any further Securities and Funds placed by the Client with the Portfolio Manager for the purposes of being managed pursuant to such Agreement, Securities or other realisations of the Portfolio acquired by the Portfolio Manager through investment of Funds and bonus and rights shares on account of any corporate actions in respect of Securities forming part of the Portfolio, so long as the same are managed by the Portfolio Manager pursuant to the PMS Agreement.
- 2.19** “**Principal Officer**” means an employee of the Portfolio Manager who has been designated as such by the Portfolio Manager and is responsible for (i) the decisions made by the Portfolio Manager in terms of the management or administration of Portfolio of Securities and Funds of the Client; and (ii) operations of the Portfolio Manager.
- 2.20** “**SEBI**” means the Securities and Exchange Board of India established under sub-section (1) of Section 3 of the Securities and Exchange Board of India Act, 1992, as amended from time to time.
- 2.21** “**Securities**” means security as defined in Section 2(h) of the Securities Contract (Regulation) Act, 1956, provided that securities shall not include any securities which the Portfolio Manager is prohibited from investing in or advising on under the PMS Regulations or any other law for the time being in force.

### **3. INTERPRETATION**

- 3.1** Words and expressions used in this disclosure document and not expressly defined shall be interpreted according to their general meaning and usage.
- 3.2** The definitions are not exhaustive and have been included only for the purpose of clarity and shall, in addition, be interpreted according to their general meaning and usage and shall not carry meaning assigned to them in PMS Regulations governing portfolio management services.
- 3.3** All references to the masculine shall include the feminine and all references, to the singular shall include the plural and vice-versa.

### **4. DESCRIPTION**

#### **4.1 History, present business, and background of the Portfolio Manager**

4.1.1 Waterfield Financial and Investment Advisors Private Limited (“**Waterfield**”) is a private limited company incorporated under the Companies Act, 1956 on 24 August, 2012, bearing Corporate Identification Number U74900MH2012PTC234921 and having its registered office at 142, Maker Chamber VI, 220 Jamnalal Bajaj Marg, Nariman Point, Mumbai, Maharashtra, India, 400021. Waterfield shall carry on in India

and abroad financial advisory services of financial products, act as a Portfolio Manager or Co-Managers and to do all such activities relating to the above subject to the approval of SEBI and other authorities.

4.1.2 Presently, Portfolio Manager acts as an investment advisor registered with Securities and Exchange Board of India bearing registration number INA000001811 and as a Portfolio Manager registered with SEBI bearing registration number IN000007818

#### 4.2 Promoters of the Portfolio Manager, Directors and their background

Ms. Soumya Rajan, Mr. Subramaniam Ramachandran Iyer and Mr. Amitkumar Gajendrakumar Patni are the directors of Waterfield Financial and Investment Advisors Private Limited. Ms. Soumya Rajan and Waterfield Advisors Private Limited are the promoters of Waterfield Financial and Investment Advisors Private Limited.

Name of the Directors	Qualification	Brief Experience
Ms. Soumya Rajan	Master's in mathematics from Oxford University, U.K and a B.A (Hons) in Mathematics from St. Stephen's College, Delhi	<ul style="list-style-type: none"> <li>• As the founder of Waterfield, Soumya brings over 25 years of financial services experience. She has advised several of India's leading business families on issues related to the success and continuity of their family enterprise, including managing their family investments, succession transitions, mentoring the NextGen, corporate and family governance, conflict resolution, business strategy and philanthropy.</li> <li>• As Managing Director &amp; CEO of the Group, she oversees the business and operations of the Company.</li> <li>• Prior to founding Waterfield, she has worked at Standard Chartered Bank India for 16 years, where her last assignment was heading their Private Banking Division from 2008 to 2010.</li> <li>• Her experience in banking is across a wide range of areas, covering Risk Management, Consumer Banking and Private Banking.</li> <li>• She serves on the Board of several non-profit organizations - as an Governing Council Member of Peepul, a charity focused on creating a school transformation platform for government schools in India; on the Advisory Council of the Indian Institute of Technology (IIT) Gandhinagar's Research Park and Entrepreneurship Centre, as a Board Member of CSTEP, a research think tank that</li> </ul>

Name of the Directors	Qualification	Brief Experience
		<p>recommends public policy on the use of new emerging technologies for social and economic development in the areas of energy, environment and infrastructure and as a Trustee of the Banyan Academy of Leadership in Mental Health (BALM) a non-profit organization that engages in research, training, capacity building and academics in mental health. She also serves as an Independent Non-Executive Director of Aavas Financiers, a listed company, engaged in the business of providing housing loans, primarily to the un-served, unreached and under-served segments in India.</p> <ul style="list-style-type: none"> <li>• She was recognized in 2019 as amongst India’s Top 100 Women in Finance, as Outstanding Private Banker Asia Pacific by Private Banker International in 2021 and featured in annual Forbes Women Trailblazers List of 2021</li> <li>• She completed a Masters in Mathematics from Oxford University, U.K and a B.A (Hons) in Mathematics from St. Stephen’s College, Delhi.</li> </ul>
Mr. Subramaniam Ramachandran Iyer	BSc, CAIIB	Subramaniam Ramachandran Iyer is the former Managing Director of the State Bank of India and the First Executive Chairman of the Credit Information Bureau (India) Limited (CIBIL). He is also a member of the Investment Committee of National Dairy Development Board and Chairman of the Infrastructure Finance Credit Committee of Aditya Birla Finance Ltd.
Mr. Amitkumar Gajendrakumar Patni	MBA—Finance & marketing (Babson College, Boston, USA) graduated: 1989	Amit Patni is the promoter shareholder of Patni Computers. He is also the Co-founder of RAAY Investments (a Single Family Office), Chairman at Nirvana Venture Advisors (Digital and Internet Venture Fund), Co-founder and Partner of Elysium Investment Advisors (a hedge fund) and Co-founder and Partner of The Hive-India (Big Data incubator).

Name of the Directors	Qualification	Brief Experience
Waterfield Advisors Pvt Ltd	Promoter	Waterfield Advisors Pvt Ltd is engaged in the Business of Management consultancy services

#### 4.3 Top 10 group companies / firms of the Portfolio Manager on turnover basis\*

S. No.	Name of the entity	Turnover* (INR in Cr.)
1.	Waterfield Advisors Private Limited	3.59
2.	Waterfield Fund Managers Private Limited	4.70

*\*The above list is based on the turnover (Total Revenue including Other income) of the group companies/firm of Waterfield Financial and Investment Advisors Private Limited as per the audited accounts for financial year ended 31/03/2023.*

#### 4.4 Details of services being offered by the Portfolio Manager

The Portfolio Manager offers portfolio management services under Discretionary Services, Non-Discretionary Services and Advisory Services categories.

#### 4.5 Direct on-boarding of clients by Portfolio Managers

4.5.1 Clients shall have the option to be on-boarded directly to avail the services of the Portfolio Manager, without intermediation of persons engaged in distribution services.

4.5.2 At the time of onboarding of Clients directly, no charges except statutory charges will be levied by the Portfolio Manager.

4.5.3 Currently there are no distributors empanelled with **Waterfield Financial and Investment Advisors Private Limited**

#### 5. PENALTIES, PENDING LITIGATION OR PROCEEDINGS, FINDINGS OF INSPECTION OR INVESTIGATIONS FOR WHICH ACTION MAY HAVE BEEN TAKEN OR INITIATED BY ANY REGULATORY AUTHORITY.

5.1 All cases of penalties imposed by SEBI or the directions issued by SEBI under the Securities and Exchange Board of India Act, 1992, rules or regulations made thereunder – **NIL**.

5.2 The nature of the penalty/direction – **Not applicable**

5.3 Penalties imposed for any economic offence and/or for violation of any securities laws – **NIL**.

5.4 Any pending material litigation/legal proceedings against the portfolio manager/key personnel with separate disclosure regarding pending criminal cases, if any – **NIL**.



5.5 Any deficiency in the systems and operations of the Portfolio Manager observed by SEBI or any regulatory agency – **NIL**.

5.6 Any enquiry/adjudication proceedings initiated by SEBI against the Portfolio Manager or its directors, Principal Officer or employee or any person directly or indirectly connected with the Portfolio Manager or its directors, Principal Officer or employee, under the Securities and Exchange Board of India Act, 1992, or rules and regulations made thereunder –

5.6.1 For Portfolio Manager, its directors, Principal Officers or employees: **NIL**.

5.6.2 For any person directly or indirectly connected with the Portfolio Manager or its directors, Principal Officer or employee: **NIL**.

## 6. SERVICES OFFERED

6.1 Waterfield shall offer Discretionary Portfolio Management Services, Non-Discretionary Portfolio Management Services and Advisory Services to Investors, including Accredited Investors.

### 6.1.1 Discretionary Portfolio Management Services

Under these services, the choice as well as the timings of the investment decisions rest solely with the Portfolio Manager and the Portfolio Manager can exercise any degree of discretion in the investments permitted by the Portfolio Guidelines or management of Portfolio of the Client in accordance with the Client Contract Agreement (“**PMS Agreement**”). Under Discretionary Portfolio Management Services, the Portfolio Manager may invest Clients’ Funds in listed securities, securities which are traded on a recognized stock exchange, money market instruments (including, but not limited to, commercial paper, trade bill, treasury bills, certificate of deposit and usance bills), units of mutual funds and other securities as specified by SEBI from time to time, on behalf of the Clients, in accordance with Applicable Law.

The Securities invested / disinvested by the Portfolio Manager for Clients may differ from client to client. Separate client-wise account shall be maintained by the Portfolio Manager with a scheduled commercial bank. The Portfolio Manager’s decision (taken in good faith) in deployment of the Client’s Funds is absolute and final and can never be called in question or be open to review at any time during the currency of the Agreement or at any time thereafter except on the ground of fraud, mala fide, conflict of interest or gross negligence. This right of the Portfolio Manager shall be exercised strictly in accordance with Applicable Law.

While discharging the Discretionary Portfolio Management Services, the Portfolio Manager shall ensure that the liability of the client will not exceed its investment with the Portfolio Manager. The Portfolio Manager shall individually and independently manage the funds of each client in accordance with the needs of the Client, in a manner which does not partake character of a mutual fund. In case of the Client falling under the category of Large Value Accredited Investor, the Portfolio Manager may invest up to 100% of the assets under management in unlisted Securities. Further, periodical statement / report (not exceeding a period of 3 months) in respect of Client’s Portfolio shall be sent to the respective Clients.

The Portfolio Manager will provide the Services as per the terms agreed with the Client for Portfolio Management Services, if any.

### 6.1.2 **Non-Discretionary Services**

Under the Non-Discretionary Portfolio Management Services, the Portfolio of the Client will be managed as per the PMS Agreement, and the express instructions issued by the Client from time to time. The Portfolio Manager shall execute orders as per the mandate received from Client and the Client will have complete discretion to decide on the investment (quantity and price or amount). The Portfolio Manager shall *inter alia* manage transaction execution, accounting, providing research, investment advice, recording of corporate benefits, valuation and reporting aspects on behalf of the Client entirely at the Client's risk. Separate bank account with a scheduled commercial bank and segregated data for each Client shall be maintained by the Portfolio Manager.

The Portfolio Manager shall invest or manage the Portfolio of the Client at the instruction of the Client, but always subject to the PMS Regulations. The Portfolio Manager will provide the Client with investment recommendations that it considers fit and in accordance with the terms of the PMS Agreement and investment specifications agreed with the Client from time to time. Only after receiving the approval of the Client shall the Portfolio Manager invest in any one or a combination of the financial instruments mentioned in this Disclosure Document. Further, the Portfolio Manager offering Non-Discretionary Services to the clients may invest up to 25% of the assets under management of such clients in unlisted securities, in addition to securities permitted for Discretionary Portfolio Management in lines with PMS Regulations. In case of Client falling under the category of Large Value Accredited Investors, the Portfolio Manager may advise to invest up to 100% of the assets under management in unlisted Securities.

The Client shall accept that the restrictions it may impose on investments may compel the Portfolio Manager to make recommendations or manage Portfolio in a manner which may reduce the likelihood of achieving the investment objectives. The Portfolio Manager shall invest or disinvest or hold the securities in accordance with the Client's instructions and confirmation. Further, the Portfolio Manager shall also provide periodic report to the Clients in accordance with the rules, regulations, guidelines made under the PMS Regulations and any other any other laws / rules / regulation / guidelines etc.

The Portfolio Manager will provide the Services as per the terms agreed with the Client for Portfolio Management Services, if any.

### 6.1.3 **Advisory Services**

Under these services, the Portfolio Manager advises the Client on investments in general or any specific advice required by the Client and agreed upon in the PMS Agreement. The Portfolio Manager shall render the best possible advice (to the best of its abilities) to the Client having regard to the Client's needs and the environment, and his own professional skills. The same will be non - binding in nature or in such terms as mentioned in the PMS Agreement.

For such services, the Portfolio Manager shall charge the Client a fee mentioned in the PMS Agreement. The advice may be either general or specific in nature and may pertain to a particular Portfolio. The Portfolio Manager shall also ensure that the investors are provided with true and adequate information without making any

misguiding or exaggerated claims and are made aware of attended risks before any investment decision is taken by them. In accordance with the terms of PMS Regulations, the Portfolio Manager offering Advisory Services or Non-Discretionary Portfolio Management Services to the clients may provide advice for investment up to 25% of the assets under management of such clients in unlisted securities, in addition to securities permitted for Discretionary Portfolio Management. In case of client(s) falling under the category of Large Value Accredited Investors, the Portfolio Manager may advice to invest up to 100% of the assets under management in unlisted Securities.

The Portfolio Manager shall be solely acting as an advisor in respect of Portfolio of the Client and shall not be responsible for the investment / divestment of securities and / or administrative activities of the Client's Portfolio.

The Portfolio Manager will provide the Services as per the terms agreed with the Client for Portfolio Management Services, if any.

## **6.2 Investment objective**

The Funds of the Clients shall be invested in such capital and money market instruments, including securities as defined under the Securities Contract (Regulation) Act, 1956, and shall include any securities, derivatives and other instruments which are tradable on any of stock exchanges as well as such units of Unit Trust of India and / or other mutual funds (whether listed or unlisted), government securities, debt instruments, negotiable instruments, unlisted securities, certificates of deposit, participation certificates, commercial paper, securitized debt instruments, investments in company deposits, bank deposits, treasury bills and such other eligible modes of investment and/or forms of deployment in accordance with the PMS Regulations.

The Portfolio Manager may, however, enter into futures contracts, options in securities, options on indices and other similar types of investment, provided the Portfolio Guidelines permits, which may result in the Client having to provide initial margin payments. The Portfolio Manager shall observe a high standard of integrity and fair dealing in all transactions involving the Client's Account. The investment in the securities mentioned in the above point will be in accordance with the objectives as given in the agreement and also any of the product/plan categories accepted by the Client Exposure to Derivatives will only be made if the client's Portfolio Guidelines / model portfolio attributes permits for the same.

The investment objectives would be one or more of the following or combination thereof:

- 6.2.1 To provide investment flexibility to the client across various market segments;
- 6.2.2 To generate a good return on investments;
- 6.2.3 To generate short term and/ or long term capital appreciation.

The Portfolio Manager offers various investment strategies based Portfolios to allow for standardized customization in sync with investor profile and also customized Portfolio as per suitability and specific requirements of the Client. The general objective is to formulate and device the investment philosophy to achieve long term growth of capital.

The objective of the derivative exposure: The objective to use derivatives is purely to protect the Portfolio in case of a severe market correction. We seek to use derivatives purely to protect the Client's Portfolio in case of sharp drawdowns of the aggregate market. The derivatives will only be used for hedging and/or Portfolio rebalancing.

The Portfolio Manager aims to create direct - equity / direct allocation focussed Portfolios to reduce overall expenses on portfolios, creating the most capitally efficient Portfolios possible in line with every Client's risk profile, and returns objectives and Portfolio Guidelines.

### 6.3 Investment approach

#### 6.3.1 Investment Objective

Please refer to paragraph 6.2 above.

#### 6.3.2 Description of types of securities e.g., equity or debt, listed or unlisted, convertible instruments, shares, script stocks, bonds, debentures, debenture stock, derivatives units or any other instrument issued by any collective investment scheme to the investors in such schemes, security receipts, units or any other instrument issued under any mutual fund scheme or by any pooled investment vehicle, any instrument issued to an investor by any issuer being a special purpose distinct entity *which* possesses any debt or receivable, including mortgage debt, assigned to such entity, and acknowledging beneficial interest of such investor in such debt or receivable including mortgage debt, government securities, rights or interest in securities, real estate investment trusts, infrastructure investment funds, sovereign gold bonds, etc.

Consistent with the Portfolio Guidelines, investment objective and subject to the regulations of SEBI, the Client's funds may be invested in such securities, capital and money market instruments or in fixed income securities or variable securities of any description, by whatever name called including-

- (a) Equity and equity related securities, convertible stock and preference shares of Indian companies, warrants;
- (b) Debentures (convertible and non-convertible), bonds, secured premium notes, corporate debt (of both public and private sector undertakings), securities issued by banks (both public and private sector) and development financial institutions like certificate of deposits (CDs), coupon bearing bonds, zero coupon bonds and tax-exempt bonds of Indian companies and corporations;
- (c) Units of mutual funds (including exchange traded funds (ETFs));
- (d) Alternate Investment Fund, Structured Products, Market Linked Debentures, Reit shares, Invit shares
- (e) gold, gold exchange traded funds, sovereign gold bonds,
- (f) Derivatives (Futures and options, commodity derivatives etc.);
- (g) Commercial paper, trade bills, corporate fixed deposits, treasury bills and certificate of deposit and other similar money market instruments; and

- (h) Securitised debt, pass through certificates and quasi debt instruments and such other eligible modes of investment within the meaning of the SEBI Act / regulations issued by SEBI as amended from time to time.

### 6.3.3 Basis of selection of such types of securities as part of investment approach

The selection of the securities other than direct stocks, will be based on the criteria of investment approach at the time of initial ideation, periodic reviews and investment made as per the model portfolio of the investment approach.

The selection of direct stocks will be based on research through fundamental and/or quantitative analysis, the criteria of investment approach at the time of initial ideation, periodic reviews, investments made as per the model portfolio of the strategy provided the Portfolio Guidelines permits.

### 6.3.4 Allocation of portfolio across types of securities

- (a) The investment allocation pattern may change from time to time, keeping in view market conditions, opportunities and political & economic factors. It must be clearly understood that the investment patterns are only indicative and not absolute and that they can vary substantially depending upon the perception of the Portfolio Manager, the intention being at all times to seek to protect the interests of the Clients. This will vary across clients but will broadly be in 4 buckets: fixed income, equity, commodities and alternatives.
- (b) Depending on the Clients' risk profile, the Portfolio allocation will be tailored accordingly.
- (c) In case of customized mandate undertaken by the Portfolio Manager, portfolio allocation shall be made as per Portfolio Guidelines as signed by the Client.

### 6.3.5 Appropriate benchmark to compare performance and basis for choice of benchmark

6.3.6 APMI by circular ref no: APMI/2022-23/02 dated March 23, 2023 has prescribed following benchmarks for each strategy to enable the investor to evaluate relative performance of the Portfolio Managers:

Strategy	Benchmark 1			Benchmark 2	Benchmark 3		
Equity	Nifty 50			S&P BSE 500	MSEI SX 40		
Debt	Nifty Medium to Long			CRISIL Credit Index \$	CRISIL	Composite	
	Duration Debt Index			<b>Composition:</b>	Bond Fund Index		
				33%: AA+/AA			
				17%: AA-			
				50%: A+/A/A- with a 2-2.5-year duration			
Hybrid	Nifty	50	Hybrid	BSE S&P Hybrid \$	Crisil	Hybrid	50+50
	Composite Debt 50:50			<b>Composition:</b>	Moderate Index		
	Index			50%: BSE 500 Index &			
				50%:S&P BSE Arbitrage			
			Rate Index				

Strategy	Benchmark 1	Benchmark 2	Benchmark 3
Multi-Asset	NSE Multi Asset Index	NSE Multi Asset Index	Crisil Multi Asset Index
	1 \$	2 \$	3 \$ **
	<b>Composition:</b>	<b>Composition:</b>	<b>Composition:</b>
	50%: Nifty 500	50%: NIFTY 500	50%: S&P BSE 500
	40%: Nifty 50 Arbitrage	20%: NIFTY	20%: S&P BSE
	Index	Duration Index	Arbitrage Rate Index
	10%: REIT & INVIT	20%: NIFTY Arbitrage	20%: Gold
		index	10%: REIT & INVIT
		10%: INVIT/REIT	

To align with the planned risk budgets mentioned in the Portfolio Guidelines of the investor, a customised benchmark would be used. Customized benchmark would closely mirror the risk composition of strategic asset allocation of the investor and would allow reduction in tracking error. Therefore, Portfolio Manager will get separate customized benchmarks for the purpose of AUM linked fee calculation. Appended below are sub-asset class level benchmark components for AUM linked fee calculations for each investment approach:

For NUCLEUS “FIXED INCOME” ACCRUAL PORTFOLIO

Asset Class	Sub- Asset Class	Indicative weights	Components of the Customized Benchmarks
Public Equity	EQ - Large Cap	0.0%	NSE 100 TRI
	EQ - Mid cap	0.0%	NSE Midcap 150 TRI
Fixed Income	Accrual	75.0%	CRISIL AAA Short Term Bond Index
	Credit	25.0%	CRISIL AA+ Short Term Bond Index
Alternates	REIT/ InvIT	0.0%	NSE REIT & InvIT Benchmark
	Gold	0.0%	Domestic Gold Prices

For NUCLEUS “MULTI-ASSET” PURCHASING POWER PRESERVER

Asset Class	Sub- Asset Class	Indicative weights	Components of the Customized Benchmarks
Public Equity	EQ - Large Cap	18.0%	NSE 100 TRI
	EQ - Mid cap	12.0%	NSE Midcap 150 TRI
Fixed Income	Accrual	31.5%	CRISIL AAA Medium Term Bond Index
	Credit	10.5%	CRISIL AA+ Medium Term Bond Index
Alternates	REIT/ InvIT	18.0%	NSE REIT & InvIT Benchmark
	Gold	10.0%	Domestic Gold Prices

For NUCLEUS “MULTI-ASSET” LIFESTYLE MAINTAINER

Asset Class	Sub- Asset Class	Indicative weights	Components of the Customized Benchmarks
Public Equity	EQ - Large Cap	30.0%	NSE 100 TRI
	EQ - Mid cap	20.0%	NSE Midcap 150 TRI
Fixed Income	Accrual	18.8%	CRISIL AAA Medium Term Bond Index
	Credit	6.2%	CRISIL AA+ Medium Term Bond Index
Alternates	REIT/ InvIT	15.0%	NSE REIT & InvIT Benchmark
	Gold	10.0%	Domestic Gold Prices

For NUCLEUS “MULTI-ASSET” CAPITAL COMPOUNDER

Asset Class	Sub- Asset Class	Indicative weights	Components of the Customized Benchmarks
Public Equity	EQ - Large Cap	45.0%	NSE 100 TRI
	EQ - Mid cap	30.0%	NSE Midcap 150 TRI
Fixed Income	Accrual	3.8%	CRISIL AAA Short Term Bond Index
	Credit	1.2%	CRISIL AA+ Short Term Bond Index
Alternates	REIT/ InvIT	12.5%	NSE REIT & InvIT Benchmark
	Gold	7.5%	Domestic Gold Prices

For NUCLEUS “EQUITY” MULTI-CAP ALLOCATOR

Asset Class	Sub- Asset Class	Indicative weights	Components of the Customized Benchmarks
Public Equity	EQ - Large Cap	60.0%	NSE 100 TRI
	EQ - Mid cap	40.0%	NSE Midcap 150 TRI
Fixed Income	Accrual	0.0%	-
	Credit	0.0%	
Alternates	REIT/ InvIT	0.0%	NSE REIT & InvIT Benchmark
	Gold	0.0%	Domestic Gold Prices

APMI prescribed Benchmark which are selected by Portfolio Manager will be disclosed wherever the same are required as per SEBI regulations.

For model portfolios, we will be guided by a templated Portfolio Guidelines. Each model portfolio will have a customised benchmark tagged to it for the purpose of performance comparison. The customised benchmark will mirror the strategic asset allocation design that will feature in the portfolio guideline that is tagged to each model portfolio.

#### 6.3.7 Indicative tenure or investment horizon; Risks associated with the investment approach

There is a 3-5 year minimum cycle for an investment horizon. Risks associated with the investment approach include the common risks such as market risk, economic risk, execution, etc. Please refer to Clause 7 below.

PARTICULARS	MEDIUM TERM (3-5 YEARS)	LONG TERM (5+ YEARS)
Concentration Risk	Moderate	Moderate
Foreign Exchange Risk	Moderate	Low
Leverage Risk	High	High
Strategy Risk	Low	Low

### 6.3.8 Minimum Investment Amount

- (a) The Portfolio Manager shall not accept from the Client, Funds or Securities worth less than INR 50 lakhs or such amount as specified under PMS Regulations and amended from time to time. However, the said minimum investment amount per client shall not be applicable to an Accredited Investor.
- (b) The Client may on one or more occasion or on a continual basis, make further placement of funds under the service.

### 6.3.9 Other salient features, if any.

- (a) The Portfolio Manager shall ensure that any change in the investment approach that may impact the performance of the Client's Portfolio shall be disclosed in the marketing material.
- (b) The policies for investments in associates/group companies of the Portfolio Manager and the maximum percentage of such investments therein subject to the applicable laws/regulations/ guidelines.

## 7. Details of strategies and approaches:

The strategies and approaches are detailed in the appendix below. We use a model portfolio-based strategy; however, if an investor commits more than INR 15 crores between the beginning and end of the three-year period of the engagement, any of the strategies listed below can be taken up for customization. Although the portfolio will be assigned to one of the strategies listed below, the actual asset allocation in the case of customized portfolios could vary slightly depending on the objectives of the client and the customized portfolio guidelines for the customized portfolio. If allowed by the Principal Officer of the Portfolio Manager, the portfolio management service provider will in rare instances, allow customization of strategies for clients committing less than 15 crores in AUM.

### I. STRATEGY – DEBT

Particulars	About the Investment Approach
Name	NUCLEUS "FIXED INCOME" ACCRUAL PORTFOLIO
Strategy	Debt
Investment Objectives	A portfolio comprising primarily of fixed income securities and limited/transient exposure to fixed income alternatives like REITS/INVITS. Portfolio will be designed to deliver income for Investors who seek regular/predictable cash flows.
Description of types of securities	Mutal Fund, ETF, Index Funds, Bonds, Alternate Investment Fund, Structured Products, Market Linked Debentures, Corporate Fixed Deposit, Cash & Equivalents, Reit shares, Invit shares
Basis of selection of such types of securities as part of the investment approach	Strategic Asset Allocation View of the Fund Manager on each of the asset classes Security selection process framework that includes both qualitative & quantitative
Allocation of portfolio across types of securities*	Equity is NIL / Fixed Income is 90%-100% / Fixed Income Alternates (REIT & InvITs) NIL / Gold is NIL / Cash & Equivalents 0-10%



<b>Appropriate benchmark to compare performance and basis for choice of benchmark</b>	APMI Prescribed Benchmarks: CRISIL- Credit Index (33%: AA+/AA; 17%: AA-; 50%: A+/A/A- with a 2- 2.5 year duration) <i>Rationale: The selected benchmark closely resembles the indicative asset allocations proposed for the investment approach</i>
<b>Indicative tenure or investment horizon</b>	2 years; Exit Load – 1% of the Assets redeemed if the redemption is carried out within the first year from the date of the investment. Subsequently, the exit load shall be NIL
<b>Risks associated with the investment approach</b>	Bonds – interest rate risks, credit risk, liquidity risk, re-investment risk REITS/INVITS – leverage risk, liquidity risk & market risk
<b>Other salient features, if any</b>	NA

\*Change in allocation of portfolio: Subject to applicable laws, the asset allocation pattern indicated above may change from time to time however within stated boundaries in the portfolio guidelines, keeping in view market conditions, market opportunities, applicable regulations and political and economic factors.

## II. STRATEGY – MULTI-ASSET

Particulars	About the Investment Approach
<b>Name</b>	NUCLEUS “MULTI-ASSET” PURCHASING POWER PRESERVER
<b>Strategy</b>	Multi asset
<b>Investment Objectives</b>	Purchasing Power Preserver will be a conservative portfolio with an objective of generating healthy inflation adjusted returns. Asset allocation would be conservative.
<b>Description of types of securities</b>	Mutal Fund, ETF, Index Funds, Bonds, Alternate Investment Fund, Structured Products, Market Linked Debentures, Corporate Fixed Deposit, Stocks, Gold, Cash & Equivalents, Reit shares, Invt shares, Gold ETF, Sovereign Gold Bonds,
<b>Basis of selection of such types of securities as part of the investment approach</b>	Strategic Asset Allocation View of the Fund Manager on each of the asset classes Security selection process framework that includes both qualitative & quantitative Direct stock selection will be guided by research through fundamental and/or quantitative analysis ( <i>portfolio guidelines to permit participation in direct stocks</i> )
<b>Allocation of portfolio across types of securities*</b>	Equity 21%-44% / Fixed Income 33%-60%/ Fixed Income Alternates (REIT & InvITs) 9%-18% / Gold 5%-19%/ Cash & Equivalents 0%-18%
<b>Appropriate benchmark to compare performance and basis for choice of benchmark</b>	APMI Prescribed Benchmarks: Nifty Multi Asset Index 2 – (50%: NIFTY 500; 20%: NIFTY Medium Duration Index; 20%: NIFTY Arbitrage Index; 10%: InvIT/REIT) <i>Rationale: The selected benchmark closely resembles the indicative asset allocations proposed for the investment approach</i>
<b>Indicative tenure or investment horizon</b>	3 years; Exit Load – 1% of the Assets redeemed if the redemption is carried out within the first year from the date of the investment. Subsequently, the exit load shall be NIL
<b>Risks associated with the investment approach</b>	Bonds – Interest rate risks, credit risk, liquidity risk, re-investment risk REITS/INVITS – leverage risk, liquidity risk & market risk EQUITY – general market risk(volatility in prices), security risk GOLD – general market risk(volatility), liquidity risk
<b>Other salient features, if any</b>	NA

\* Change in allocation of portfolio: Subject to Applicable Laws, the asset allocation pattern indicated above may change from time to time however within stated boundaries in the Portfolio Guidelines, keeping in view market conditions, market opportunities, applicable regulations and political and economic factors.

### III. STRATEGY – MULTI-ASSET

Particulars	About the Strategy
<b>Name</b>	NUCLEUS “MULTI-ASSET” LIFESTYLE MAINTAINER
<b>Strategy</b>	Multi asset
<b>Investment Objectives</b>	Lifestyle maintainer will be a balanced portfolio with an objective of generating healthy returns after adjusting for inflation. Asset allocation would be moderate mix in growth assets and defensive assets.
<b>Description of types of securities</b>	Mutal Fund, ETF, Index Funds, Bonds, Alternate Investment Fund, Structured Products, Market Linked Debentures, Corporate Fixed Deposit, Stocks, Gold, Cash & Equivalents, Reit shares, Invit shares, Gold ETF, Sovereign Gold Bonds,
<b>Basis of selection of such types of securities as part of the investment approach</b>	Strategic Asset Allocation View of the Fund Manager on each of the asset classes Security selection process framework that includes both qualitative & quantitative Direct stock selection will be guided by research through fundamental and/or quantitative analysis ( <i>portfolio guidelines to permit participation in direct stocks</i> )
<b>Allocation of portfolio across types of securities*</b>	Equity 35%-70% / Fixed Income 10%-47.5%/ Fixed Income Alternates (REIT & InvITs) 7.5%-15% / Gold 5%-25%/ Cash & Equivalents 0%-22.5%
<b>Appropriate benchmark to compare performance and basis for choice of benchmark</b>	APMI Prescribed Benchmarks: Nifty Multi Asset Index 2– (50%: NIFTY 500; 20%: NIFTY Medium Duration Index; 20%: NIFTY Arbitrage Index; 10%: InvIT/REIT) <i>Rationale: The selected benchmark closely resembles the indicative asset allocations proposed for the investment approach</i>
<b>Indicative tenure or investment horizon</b>	3 years; Exit Load – 1% of the Assets redeemed if the redemption is carried out within the first year from the date of the investment. Subsequently, the exit load shall be NIL
<b>Risks associated with the investment approach</b>	Bonds – Interest rate risks, credit risk, liquidity risk, re-investment risk REITS/INVITS – leverage risk, liquidity risk & market risk EQUITY – general market risk(volatility in prices), security risk GOLD – general market risk(volatility), liquidity risk
<b>Other salient features, if any</b>	NA

\* Change in allocation of portfolio: Subject to Applicable Laws, the asset allocation pattern indicated above may change from time to time however within stated boundaries in the Portfolio Guidelines, keeping in view market conditions, market opportunities, applicable regulations and political and economic factors.

### IV. STRATEGY – MULTI-ASSET

Particulars	About the Strategy
<b>Name</b>	NUCLEUS “MULTI-ASSET” CAPITAL COMPOUNDER
<b>Strategy</b>	Multi asset
<b>Investment Objectives</b>	Capital compounder will be an aggressive portfolio with an objective of generating long term capital appreciation
<b>Description of types of securities</b>	Mutual Fund, ETF, Index Funds, Bonds, Alternate Investment Fund, Structured Products, Market Linked Debentures, Corporate Fixed

	Deposit, Stocks, Gold, Cash & Equivalents, Reit shares, Invt shares, Gold ETF, Sovereign Gold Bonds,
<b>Basis of selection of such types of securities as part of the investment approach</b>	Strategic Asset Allocation View of the Fund Manager on each of the asset classes Security selection process framework that includes both qualitative & quantitative Direct stock selection will be guided by research through fundamental and/or quantitative analysis ( <i>portfolio guidelines to permit participation in direct stocks</i> )
<b>Allocation of portfolio across types of securities*</b>	Equity 52.5%-100% / Fixed Income 0%-35%/ Fixed Income Alternates (REIT & InvITs) 0%-12.5% / Gold 0%-30%/ Cash & Equivalents 0%-35%
<b>Appropriate benchmark to compare performance and basis for choice of benchmark</b>	APMI Prescribed Benchmarks: Nifty Multi Asset Index 2– (50%: NIFTY 500; 20%: NIFTY Medium Duration Index; 20%: NIFTY Arbitrage Index; 10%: InvIT/REIT) <i>Rationale: The selected benchmark closely resembles the indicative asset allocations proposed for the investment approach</i>
<b>Indicative tenure or investment horizon</b>	5 years; Exit Load – 1% of the Assets redeemed if the redemption is carried out within the first year from the date of the investment. Subsequently, the exit load shall be NIL
<b>Risks associated with the investment approach</b>	Bonds – Interest rate risks, credit risk, liquidity risk, re-investment risk REITS/INVITS – leverage risk, liquidity risk & market risk EQUITY – general market risk(volatility in prices), security risk GOLD – general market risk(volatility), liquidity risk
<b>Other salient features, if any</b>	NA

\* Change in allocation of portfolio: Subject to Applicable Laws, the asset allocation pattern indicated above may change from time to time however within stated boundaries in the Portfolio Guidelines, keeping in view market conditions, market opportunities, applicable regulations and political and economic factors.

## V. STRATEGY – EQUITY

Particulars	About the Strategy
<b>Name</b>	NUCLEUS “EQUITY” MULTI-CAP ALLOCATOR
<b>Strategy</b>	Equity
<b>Investment Objectives</b>	Multi-cap allocator will be an aggressive all-equity portfolio with an objective of growing capital aggressively
<b>Description of types of securities</b>	Mutual Fund, ETF, Index Funds, Bonds, Alternate Investment Fund, Structured Products, Market Linked Debentures, Corporate Fixed Deposit, Stocks, Gold, Cash & Equivalents, Gold ETF, Sovereign Gold Bonds,
<b>Basis of selection of such types of securities as part of the investment approach</b>	Strategic Asset Allocation View of the Fund Manager on each of the asset classes Security selection process framework that includes both qualitative & quantitative Direct stock selection will be guided by research through fundamental and/or quantitative analysis ( <i>portfolio guidelines to permit participation in direct stocks</i> )
<b>Allocation of portfolio across types of securities*</b>	Equity 70%-100% / Fixed Income 0%-30%/ Fixed Income Alternates Nil, Gold 0%-30%/ Cash & Equivalents 0%-30%
<b>Appropriate benchmark to compare performance and basis for choice of benchmark</b>	APMI Prescribed Benchmarks: Nifty 50 TRI <i>Rationale: The selected benchmark closely resembles the indicative asset allocations proposed for the investment approach</i>

<b>Indicative tenure or investment horizon</b>	5 years; Exit Load – 1% of the Assets redeemed if the redemption is carried out within the first year from the date of the investment. Subsequently, the exit load shall be NIL
<b>Risks associated with the investment approach</b>	Bonds – Interest rate risks, credit risk, liquidity risk, re-investment risk EQUITY – general market risk(volatility in prices), security risk GOLD – general market risk(volatility), liquidity risk
<b>Other salient features, if any</b>	NA

\* Change in allocation of portfolio: Subject to Applicable Laws, the asset allocation pattern indicated above may change from time to time however within stated boundaries in the Portfolio Guidelines, keeping in view market conditions, market opportunities, applicable regulations and political and economic factors.

## 8. PERFORMANCE BENCHMARKING AND REPORTING OF PERFORMANCE:

Strategy	Investment Approach	Strategic Asset Allocation	Min- Max Range	Benchmark # 1 – APMI
Multi-Asset	Nucleus “Multi-Asset” <b>Purchasing Power Preserver</b>	30% EQ, 42% FI, 18% REIT/InvIT, 10% GOLD	Equity 21%-44% / Fixed Income 33%-60%/ Fixed Income Alternates (REIT & InvITs) 9%-18% / Gold 5%-19%/ Cash & Equivalents 0%-18%	NSE Multi Asset Index 2
Multi-Asset	Nucleus “Multi-Asset” <b>Lifestyle Maintainer</b>	50% EQ, 25% FI, 15% REIT/InvIT, 10% GOLD	Equity 35%-70% / Fixed Income 10%-47.5%/ Fixed Income Alternates (REIT & InvITs) 7.5%-15% / Gold 5%-25%/ Cash & Equivalents 0%-22.5%	NSE Multi Asset Index 2
Multi-Asset	Nucleus “Multi-Asset” <b>Capital Compounder</b>	75% EQ, 5% FI, 12.5% REIT/InvIT & 7.5% Gold	Equity 52.5%-100% / Fixed Income 0%-35%/ Fixed Income Alternates (REIT & InvITs) 0%-12.5% / Gold 0%-30%/ Cash & Equivalents 0%-35%	NSE Multi Asset Index 2
Debt	Nucleus “Fixed Income” <b>Accrual Portfolio</b>	100% FI	Equity is NIL / Fixed Income is 90%-100% / Fixed Income Alternates (REIT & InvITs) NIL / Gold is NIL / Cash & Equivalents 0-10%	CRISIL Credit Term Index
Equity	Nucleus “Equity” <b>Multi-cap Allocator</b>	100% EQ	Equity 70%-100% / Fixed Income 0%-30%/ Fixed Income Alternates Nil, Gold 0%-30%/ Cash & Equivalents 0%-30%	Nifty 50 TRI

## 9. RISK FACTORS

### 9.1 Investment Related

9.1.1 Achievement of objective: Securities investment is subject to market risks and there is no assurance or guarantee that the objective of investments of the Client will be achieved.

9.1.2 Risk arising from investment objective, investment strategy and asset allocation: The value of the Portfolio can go up or down depending on the factors and forces affecting

the capital market, the underlying asset through which the Securities derive their value, the investee company, and general economic risk and the Portfolio Manager is not responsible or liable for losses resulting from the operations of the Portfolios.

- 9.1.3 Risks arising out of non-diversification: The risk arises when the Portfolio is not sufficiently diversified by investing in a wide variety of instruments. Further, in certain cases, the Portfolio Manager may only be able to source investment opportunities in certain geographies, which may lead to concentration and thereby increase non-diversification risk.
- 9.1.4 Track record of Portfolio Manager: The Portfolio Manager is acting as the portfolio manager for the first time and does not have a track record of Clients and / or Clients' investments.
- 9.1.5 Risks associated with investment in associates/ group Companies of the Portfolio Manager: The Portfolio Manager will, before investing in the securities of its associate / group companies or in units of alternative investment funds managed by the Portfolio Manager/ group companies, evaluate such investments, the criteria for the evaluation being the same as is applied to other similar investments to be made under the Client's Portfolio. The investments in securities of the associate / group companies or in units of alternative investment funds managed by the Portfolio Manager/ group companies would be within the overall framework of the PMS Regulations and in terms of the Agreement executed with the Client. Additionally, the Portfolio Manager may utilize services of subsidiaries / associates / joint ventures of its group companies relating to and incidental to Portfolio Management Services. Such utilization will be purely on commercial, arms-length basis and at a mutually agreed terms and conditions to the extent and limits permitted under the PMS Regulations.
- 9.1.6 The liquidity of the Portfolio investments is inherently restricted by trading volumes in the Securities in which the investment is made and in certain cases, such as unlisted Securities, a market for such securities may not exist.
- 9.1.7 The valuation of the Portfolio investments may be affected generally by factors affecting securities markets, such as price and volume volatility in the capital markets, interest rates, currency exchange rates, changes in policies of the Government, taxation laws or any other appropriate authority policies and other political and economic developments which may have an adverse bearing on individual securities, a specific sector or all sectors including equity and debt markets.
- 9.1.8 Investment in derivatives, in accordance with the PMS Regulations, exposes the Client to a high degree of risk. There is a risk that losses maybe sustained by the relevant Portfolio as a result of the failure of another Party to comply with the terms of the derivative contract. Other risks that may arise in derivatives include credit risk, market liquidity, risk of improper/incorrect valuation, basis risk, settlement risk etc.
- 9.1.9 The investment objective of the Portfolio could result into concentration on a specific asset/asset class/sector/issuer etc., which could expose the Portfolio to undesired diversification. The Portfolio Manager will follow prudential norms and best practices for each asset class.
- 9.1.10 Different segments of the financial markets have different settlement periods and such periods may be extended significantly by unforeseen circumstances. The

inability of the Portfolio to make intended securities purchases due to settlement problems could cause the Portfolio to miss certain investment opportunities. By the same rationale, the inability to sell securities held in the portfolio due to the absence of a well-developed and liquid secondary market for debt securities would result, at time, in potential losses to the Portfolio, in case of a subsequent decline in the value of securities held in the Portfolio.

- 9.1.11 The Portfolio Manager may, considering the overall level of risk of the portfolio, invest in lower rated/unrated securities offering higher yields and/or higher capital appreciation potential. This may increase the risk of the portfolio. Such investments shall be subject to the scope of investments as laid down in the PMS Agreement.
- 9.1.12 The Portfolio Manager has no previous experience or track record in providing portfolio management services.
- 9.1.13 All investments involve risk. Past performance is not indicative of future results and there can be no assurance that the future performance of any specific investment, investment strategy, or product will be profitable, equal any corresponding indicated historical performance level(s), be suitable for your portfolio or individual situation, or prove successful. Due to various factors, including changing market conditions and/or applicable laws, the content may no longer be reflective of current opinions or positions. Moreover, you should not assume that any discussion or information contained in this document, PMS providers collateral/any communication channel serves as the receipt of, or as a substitute for, personalized investment advice from your investment advisor.

Please remember to contact your advisor, if there are any changes in your personal/financial situation or investment objectives for the purpose of reviewing/evaluating the suitability of our investment strategies and approaches.

## **9.2 General Risk Factors**

### **9.2.1 *Equity and Equity Related Risks***

Equity instruments carry both company specific and market risks and hence no assurance of returns can be made for these investments. While the Portfolio Manager shall take all reasonable steps to invest the Funds in a prudent manner in such instruments, such decisions shall not always prove to be profitable or correct. Consequently, the Client shall assume any loss arising from such decisions. The investment made by the Portfolio Manager are subject to risks arising from the investment objective, investment approach and strategy and asset allocation.

### **9.2.2 *Macro-Economic risks***

Overall economic slowdown, unanticipated corporate performance, environmental or political problems, changes to monetary or fiscal policies, changes in government policies and regulations with regard to industry and exports may have direct or indirect impact on the investments, and consequently the growth of the Portfolio.

### 9.2.3 **Liquidity Risk**

Liquidity of investments in equity and equity related Securities are often restricted by factors such as trading volumes, settlement periods and transfer procedures. If a particular Security does not have a market at the time of sale, then the scheme may have to bear an impact depending on its exposure to that particular Security. While Securities that are listed on a stock exchange generally carry a lower liquidity risk, the ability to sell these investments is limited by overall trading volume on the stock exchange. Money market securities, while fairly liquid, lack a well developed secondary market, which may restrict the selling ability of such securities thereby resulting in a loss to the Portfolio until such securities are finally sold. Additionally, in the event the Client has invested in unlisted Securities, there is no guarantee that the Portfolio Manager will be able to find a purchaser for such securities or benchmark the price for purchase for such securities (as there won't be a market for the same).

### 9.2.4 **Credit Risk**

Debt securities are subject to the risk of the issuer's inability to meet the principal and interest payments on the obligations and may also be subject to the price volatility due to such factors as interest sensitivity, market perception, or the credit worthiness of the issuer and general market risk.

### 9.2.5 **Interest Rate Risk**

This risk is associated with movements in interest rates, which depends on various factors such as government borrowing, inflation, economic performance etc. The value of investments will appreciate/depreciate if the interest rates fall/rise. Fixed income investments are subject to the risk of interest rate fluctuations, which may accordingly increase or decrease the rate of return thereon.

### 9.2.6 **Force Majeure Risk**

In certain cases, the value of securities may be impacted by external factors such as acts of State, eminent domain, acts of God, or sovereign action, acts of nature, acts of war, epidemic, pandemic, civil disturbance, which may affect the liquidity of securities, value of underlying asset.

### 9.2.7 **Capital Risk**

The Client stands the risk of total loss of value of an asset which forms part of the Portfolio or its recovery only through an expensive legal process due to factors which by way of illustration include default or non-performance of a third party, company's refusal to register a Security due to legal stay or otherwise, disputes raised by third parties.

### 9.2.8 **Derivative Risks**

The derivatives will entail a counter party risk to the extent of amount that can become due from the party. The cost of hedge can be higher than adverse impact of market movements. An exposure to derivatives in excess of hedging requirements can lead to losses. An exposure to derivatives can also limit the profits from a genuine investment transaction. Efficiency of a derivatives market depends on the

development of a liquid and efficient market for underlying securities and also on the suitable and acceptable benchmarks.

#### 9.2.9 **Reinvestment Risk**

This risk arises from the uncertainty in the rate at which cash flows from an investment may be reinvested. This is because the bond will pay coupons, which will have to be reinvested. The rate at which the coupons will be reinvested will depend upon prevailing market rates at the time the coupons are received.

#### 9.2.10 **Mutual Fund Risk**

This risk arises from investing in units of mutual funds. Risk factors inherent to equities and debt securities are also applicable to investments in mutual fund units. In addition, events like change in fund manager of the scheme, take over and mergers of mutual funds, foreclosure of schemes or plans, change in government policies could affect performance of the investment in mutual fund units.

#### 9.2.11 **Market Risk**

Market values, liquidity and risk: return profile of investments (investment characteristics) in equities are likely to fluctuate depending on performance of the industry, national and international economies, regulations and changes therein - domestically and internationally, events that are of significant impact such as war, terrorism, sanctions and trade embargoes, natural calamities, acts of God, epidemic, pandemic etc. Market values, liquidity and yields of fixed and variable income instruments are likely to fluctuate depending on the prevailing interest rates in the market, liquidity preferences, impact cost changes, re-ratings of the issuer or the instruments, competing instruments, etc.

#### 9.2.12 **Stock Specific Risk**

Performance of the issuer companies will have significant influence on market prices of its securities. This will further depend on, in addition to external factors, its own ability to perform, management, changes therein, frauds by and on the management etc. These are known as internal risks.

#### 9.2.13 **Transaction and Settlement Risk**

The Portfolio faces additional risks such as timing risks, short delivery or delayed delivery from markets, reduced liquidity, etc.

#### 9.2.14 **Portfolio Manager Competency Risk**

The Portfolio faces risks based on management and operational efficiencies and controls of the Portfolio Manager i.e., the risk is based on ability of the Portfolio Manager in identifying opportunities or misjudging trends and late investments and/or early liquidations, either at a loss or at reduced profits, or misjudging opportunities completely.



#### 9.2.15 **Allied Service Provider Risk**

The Portfolio faces risks due to other service providers that the Portfolio Manager may engage to render the services such as broking, clearing and settlement, custodian services, courier services, auditing services etc.

#### 9.2.16 **Portfolio Allied Operations Risk**

The Client also faces risks from usage of technology for recording transactions and accounts, communication of information to and fro, data computing and storage, leakages of data / information from various points including at the Portfolio Manager's operations etc.

#### 9.2.17 **Regulatory Risk**

Changes made by the government in any of the policy parameters, including in respect of taxation, etc., that affect working of companies have positive / negative impact on market prices of those stocks and to that extent, in the value of the Portfolio. Such changes may also apply to the manner in which Portfolio is being operated and on taxability of profits made on divestment, tax treatment for dividends, etc.

#### 9.2.18 **Income Tax Risk**

The tax aspects of an investment in shares and securities in India are complicated and each investor should have them reviewed by professional advisors familiar with such investor's personal tax situation and with the tax laws and regulations applicable to the investor. The tax consequences for any investment will depend on circumstances specific to each investor and the additional peculiarities associated with respect to the investments. Further, there is a risk that the income tax authorities may recharacterize the income/returns provided to you, which may lead to higher incidence of direct and indirect tax. In certain circumstances where the securities purchased by the Client may derive their value from income generated from the underlying asset, the income tax authorities may have claims pending the underlying asset, which may impact your income/returns from such asset.

#### 9.2.19 **Vacancy Risk**

In certain circumstances, the Securities purchased by the Client may derive their value from income generated from the underlying asset. In such cases, the value and return on the securities may be impacted in case the underlying asset is not able to generate income, which may be due to various factors. Further, the Portfolio Manager may offer investment opportunities to other clients, which may compete with the investment made by you.

#### 9.2.20 **Title Risk**

As a Portfolio Manager, we may appoint advisors and service providers to undertake due diligence of underlying asset, however, there is an inherent risk associated with any due diligence exercises as it relies on the vendor to provide all information, accurately and truthfully.

### 9.2.21 *Litigation Risk*

The value and marketability of the Securities or the underlying asset may be impacted due to commencement of litigation in relation to the Client, the issuer of Security or the underlying asset through which the Securities derive their value.

### 9.2.22 *Key Person Risk*

Key persons of the Portfolio Manager may be involved in various capacities (such as directors or shareholders) with the issuer of Securities purchased the Client and there may be a potential non-alignment or conflict of interest in such cases. Some of the transactions between the Portfolio Manager and the issuer of Securities purchased by the Client will be treated as related party transactions. All transactions of purchase and sale of securities by portfolio manager and its employees who are directly involved in investment operations shall be disclosed if found having conflict of interest with the transactions in any of the Client's Portfolio. Further, a disclosure of conflict of interest related to services offered by group companies of the Portfolio Manager, if any, shall also be made.

## 10. CLIENT REPRESENTATION

### 10.1 Details of client account activated

Since the start of the business, details of client accounts activated and funds managed is appended below:

Category of Clients	Number of Clients	Funds managed* (INR Crores)	Discretionary/ Non-Discretionary (if available)
Associates / group companies (last 3 years)	NA	NA	NA
Others (last 3 years) Individuals	8	48.15	Discretionary
<b>Total</b>	<b>8</b>	<b>48.15</b>	<b>NA</b>

Number of Clients under the SEBI registered Investment Advisory License	AUA (in INR) *
255	~39,113 Crore

*\*AUA as of November 20, 2023*

**10.2** Complete disclosure in respect of transactions with related parties as per the standards specified by the Institute of Chartered Accountants of India:

Please refer to **Annexure I** for details of transactions with related parties.

**10.3 Appointment of Custodian**

HDFC Bank Limited, has been appointed as the Custodian.

**10.4 Fund Accounting:**

HDFC Bank Limited is doing Fund accounting for Portfolio Management services.

**11. DETAILS OF CONFLICT OF INTEREST RELATED TO SERVICES OFFERED BY GROUP COMPANIES OR ASSOCIATES**

The Portfolio Manager and its group companies/associates are engaged in a broad spectrum of activities in the financial services sector. The Portfolio Manager may utilize such services of its group companies or associates for managing the Portfolios of the Clients. The Portfolio Manager may avail the services of other group companies as may be deemed necessary, from time to time. In such scenarios, the Portfolio Manager shall act in a fiduciary capacity in relation to the Client's Funds and shall endeavour to mitigate any potential conflict of interest that could arise while dealing with such group companies/associates, in a manner which is not detrimental to the Client. In line with the SEBI circular dated 13 February 2020, charges for all the transaction the financial year (brokerage, demat, custody charges etc.) through self or associates shall be capped at 20 by value per associate (including self) per service. The Portfolio Manager shall ensure that any charges to self/associate shall not be at rates more than that paid to the non-associates providing the same service.

**12. THE FINANCIAL PERFORMANCE OF THE PORTFOLIO MANAGER BASED ON AUDITED FINANCIAL STATEMENTS AND IN TERMS OF PROCEDURE SPECIFIED BY SEBI FOR ASSESSING THE PERFORMANCE**

<b>Abstract of Balance Sheet and Profit &amp; Loss Account (Audited)</b>				
<b>Particulars</b>	<b>FY23</b>	<b>FY22</b>	<b>FY21</b>	<b>FY20</b>
Shareholder's Funds	5,58,29,104	19,12,68,081	3,35,38,219	4,13,90,625
Non Current Liabilities	84,97,458	81,04,163	48,29,688	36,50,516
Current Liabilities	14,02,56,692	4,85,10,083	2,63,20,452	3,33,99,046
<b>Total Liabilities</b>	<b>20,45,83,254</b>	<b>24,78,82,327</b>	<b>6,46,88,359</b>	<b>7,84,40,187</b>
Non-Current Assets	5,65,17,354	2,40,94,821	2,04,45,874	2,49,28,878

Current Assets	14,80,65,900	22,37,87,506	4,42,42,485	5,35,11,309
<b>Total Assets</b>	<b>20,45,83,254</b>	<b>24,78,82,328</b>	<b>6,46,88,359</b>	<b>7,84,40,187</b>
<b>Profit &amp; Loss Account (Audited)</b>				
Total Revenue	26,65,21,493	20,68,66,916	16,97,86,691	13,24,51,212
Total Expenses	40,18,02,615	25,00,66,619	17,75,18,123	14,13,34,050
<b>Loss Before Tax</b>	<b>(13,52,81,122)</b>	<b>(4,31,99,703)</b>	<b>(77,31,433)</b>	<b>(88,82,838)</b>
<b>Loss after tax for the year</b>	<b>(13,54,38,977)</b>	<b>(4,22,70,139)</b>	<b>(78,52,406)</b>	<b>(79,33,703)</b>

Net worth of Waterfield Financial and Investment Advisors Private Limited as on March 31, 2023 is INR 19,12,68,081 (Rupees Nineteen Crores Twelve Lakh Sixty Eight Thousand Eighty One Only).

- 13. Disclosure of the details of investment of clients' funds in the securities of associate/related parties in the disclosure document under the head "details of investments in the securities of related parties of the portfolio manager", in the following format: [As per SEBI circular SEBI/HO/IMD/IMD-I/DOF1/P/CIR/2022/112 dated August 26, 2022**

There are no Investments made in the securities of associates/related parties of Portfolio Manager.

Sr. No.	Investment Approach, if any	Name of the associate / related	Investment amount (cost of investment) as on last day of the	Value of investment as on last day of the previous calendar quarter (INR in	percentage of total AUM as on last day of the previous
1.	NIL	NIL	NIL	NIL	NIL

- 14. PORTFOLIO MANAGEMENT PERFORMANCE OF THE PORTFOLIO MANAGER FOR THE LAST THREE YEARS AND IN CASE OF DISCRETIONARY PORTFOLIO MANAGER, DISCLOSURE OF PERFORMANCE INDICATORS CALCULATED USING "TIME WEIGHTED RATE OF RETURN" METHOD IN TERMS OF REGULATION 22 OF THE PMS REGULATIONS**

Not applicable. To be updated periodically once the applicant - start PMS operations.

- 15. AUDIT OBSERVATIONS OF THE PRECEDING THREE YEARS**

Not applicable. To be updated periodically once the applicant start PMS operations.

## 16. NATURE OF EXPENSES

The following are indicative types of costs and expenses for Clients availing the Portfolio Management Services. The exact basis of charge relating to each of the following services shall be annexed to the Portfolio Management Agreement and/or the agreements in respect of each of the services availed by the Client at the time of execution of such agreements.

- (a) Investment management and advisory fees:

The Portfolio Manager's standard annual fee for the Discretionary Portfolio Management Services, provided shall be as follows:

Client AUM Slab	Fixed Fee Model*	Fixed + Variable linked fee model**
< 10 Cr	1.00%	Not applicable
10-25 Cr	0.80%	0.50% + 20% linked to performance
25- 50 Cr	0.65%	0.45% + 15.0% linked to performance
50 Cr - 150 Cr	0.50%	0.35% + 12.5% linked to performance
>150 Cr	0.40%	0.30% + 10.0% linked to performance

\*Excludes GST & fund administration charges, charged quarterly.

- a. The management fees can be fixed AUM-linked fee charged every quarter on an annualized basis or it can also be a combination of fixed AUM linked plus a performance-linked fee.
- b. If Client opts for a AUM linked plus performance linked fee structure, a performance fees of up to 20% will be charged on an excess accrued pre-tax post-fixed management fee (realized plus unrealized gains net of actual incidental charges) over the hurdle rate (customized benchmark\*\* mirroring the client's risk-based asset allocation mix) every two years from Portfolio Inception. We will follow the concept of a higher watermark for subsequent two-year periods of evaluation for the computation of the performance fee.

High Water Mark shall be the highest value that the portfolio/account has reached. Value of the portfolio for computation of high watermark shall be taken to be the value on the date when performance fees are charged. For the purpose of charging performance fee, the frequency shall not be less than quarterly. The Portfolio Manager shall charge performance-based fee only on increase in portfolio value in excess of the previously achieved high water mark.

High Water Mark shall be applicable for discretionary services and non-discretionary services and not for Advisory Services. In case of interim contributions/ withdrawals by Clients, performance fees may be charged after appropriately adjusting the high-water mark on proportionate basis.

- c. For clients opting for the fixed plus performance-linked fee structure, the first Performance Fee for the Client shall accrue and become due and payable at the end of 2

years or on closure, whichever is earlier. Subsequently, Performance Fee shall be charged every 2 yearly basis.

- d. The Exit Load shall be charged at the sole discretion of the Portfolio Manager, at the time of exit based on the duration that the Assets are held with the Portfolio Manager. In the event that the Client redeems the whole or part of its Assets, exit load shall be applicable on a FIFO basis on the total amount which shall be redeemed as follows: (a) 1% of the Assets redeemed if the redemption is carried out within the first year from the date of the investment, (b) subsequently, the exit load shall be Nil.
- e. The above will be subject to applicable Goods and Services Tax and other statutory levies which may differ from time to time as per changes in tax laws.
- f. All fees and charges shall be levied on the actual amount of Clients' assets under management.
- g. In case of interim contributions/ withdrawals by the Client, performance fees will be charged after appropriately adjusting the high-water mark on proportionate basis.

**\*\* Performance fees will be calculated based on excess performance accrued over a customized benchmark.**

To align with the planned risk budgets mentioned in the Portfolio Guidelines of the investor, a customised benchmark would be used. Customized benchmark would closely mirror the risk composition of strategic asset allocation of the investor and would allow reduction in tracking error. Therefore, Portfolio Manager will get separate customized benchmarks for the purpose of AUM linked fee calculation. Appended below are sub-asset class level benchmark components for AUM linked fee calculations for each investment approach:

For NUCLEUS "FIXED INCOME" ACCRUAL PORTFOLIO

Asset Class	Sub- Asset Class	Indicative weights	Components of the Customized Benchmarks
<b>Public Equity</b>	EQ - Large Cap	0.0%	NSE 100 TRI
	EQ - Mid cap	0.0%	NSE Midcap 150 TRI
<b>Fixed Income</b>	Accrual	75.0%	CRISIL AAA Short Term Bond Index
	Credit	25.0%	CRISIL AA+ Short Term Bond Index
<b>Alternates</b>	REIT/ InvIT	0.0%	NSE REIT & InvIT Benchmark
	Gold	0.0%	Domestic Gold Prices

For NUCLEUS "MULTI-ASSET" PURCHASING POWER PRESERVER

Asset Class	Sub- Asset Class	Indicative weights	Components of the Customized Benchmarks
<b>Public Equity</b>	EQ - Large Cap	18.0%	NSE 100 TRI
	EQ - Mid cap	12.0%	NSE Midcap 150 TRI
<b>Fixed Income</b>	Accrual	31.5%	CRISIL AAA Medium Term Bond Index
	Credit	10.5%	CRISIL AA+ Medium Term Bond Index
<b>Alternates</b>	REIT/ InvIT	18.0%	NSE REIT & InvIT Benchmark
	Gold	10.0%	Domestic Gold Prices

For NUCLEUS “MULTI-ASSET” LIFESTYLE MAINTAINER

Asset Class	Sub- Asset Class	Indicative weights	Components of the Customized Benchmarks
<b>Public Equity</b>	EQ - Large Cap	30.0%	NSE 100 TRI
	EQ - Mid cap	20.0%	NSE Midcap 150 TRI
<b>Fixed Income</b>	Accrual	18.8%	CRISIL AAA Medium Term Bond Index
	Credit	6.2%	CRISIL AA+ Medium Term Bond Index
<b>Alternates</b>	REIT/ InvIT	15.0%	NSE REIT & InvIT Benchmark
	Gold	10.0%	Domestic Gold Prices

For NUCLEUS “MULTI-ASSET” CAPITAL COMPOUNDER

Asset Class	Sub- Asset Class	Indicative weights	Components of the Customized Benchmarks
<b>Public Equity</b>	EQ - Large Cap	45.0%	NSE 100 TRI
	EQ - Mid cap	30.0%	NSE Midcap 150 TRI
<b>Fixed Income</b>	Accrual	3.8%	CRISIL AAA Short Term Bond Index
	Credit	1.2%	CRISIL AA+ Short Term Bond Index
<b>Alternates</b>	REIT/ InvIT	12.5%	NSE REIT & InvIT Benchmark
	Gold	7.5%	Domestic Gold Prices

For NUCLEUS “EQUITY” MULTI-CAP ALLOCATOR

Asset Class	Sub- Asset Class	Indicative weights	Components of the Customized Benchmarks
<b>Public Equity</b>	EQ - Large Cap	60.0%	NSE 100 TRI
	EQ - Mid cap	40.0%	NSE Midcap 150 TRI
<b>Fixed Income</b>	Accrual	0.0%	-
	Credit	0.0%	
<b>Alternates</b>	REIT/ InvIT	0.0%	NSE REIT & InvIT Benchmark
	Gold	0.0%	Domestic Gold Prices

APMI prescribed Benchmark which are selected by Portfolio Manager will be disclosed wherever the same are required as per SEBI regulations.

The Portfolio Manager shall at all times comply with SEBI Circular IMD/DF/13/2010 dated 5 October 2010 and SEBI/HO/IMD/DFI/CIR/P/2020/26 dated 13 February 2020 in respect of the matters dealt with by the said circulars with respect to fees and charges.

- (b) Custodian, Registrar and transfer agent, and brokerage fees:

Over and above the performance fee and the transactions cost as mentioned above, the Portfolio Manager would recover charges levied by the custodian for acquiring, holding, sale & transfer of investments in de-materialised form (like custody charges, transaction charges, depository charges, out of pocket expenses, etc., at actual), audit fees for auditing and reporting of individual Client’s account, audit fees, fund accounting fees and any other charges that the Portfolio Manager may have to incur while running the portfolio management services. The above fees, transaction cost

and other charges shall be directly debited to the Client's account as and when the same becomes due for payment.

These include:

- (i) Custodian/Depository fees: The charges relating to opening and operation of dematerialized accounts, custody and transfer charges for shares, bonds and units, dematerialization and other charges in connection with the operation and management of the depository accounts.
- (ii) Registrar and transfer agent fee: Charges payable to registrars and transfer agents in connection with effecting transfer of securities and bonds including stamp charges; cost of affidavits, notary charges, postage stamp and courier charges.
- (iii) Brokerage costs: The brokerage charges would be payable at actuals.
- (iv) Other transaction costs: Other charges like service charge, stamp duty, transaction costs, turnover tax, exit and entry loads on the purchase and sale of shares, stocks, bonds, debt, deposits, units and other financial instruments.

(c) Transaction Costs:

Transactions Cost: Brokerage and / or Transaction cost on transactions would be levied at the prevailing rates charged by the brokers and /or any such other intermediary (+) applicable goods and services tax (+) stamp duty (+) securities transaction tax (+) turnover tax (+) any other levies thereon, as may be applicable from time to time.

(d) Distribution Fees:

Fees shall be paid to distributors only from the fees received by Portfolio Manager. The Portfolio Manager shall ensure that its distributors abide by the code of conduct prescribed by SEBI Circular SEBI/HO/IMD/DF1/CIR/P/2020/26 dated 13 February 2020 and furnish annual self-certifications of such compliance within 15 days from the end of the financial year.

Portfolio Manager can create a direct plan for each of the products for Clients/prospects on advisory platform.

**Note** - All operating expenses excluding brokerage, over and above the fees charged for portfolio management service, shall not exceed 0.5% per annum of the Client's average daily assets under management.

Also please note that the fees charged by the Portfolio Manager from the client for rendering portfolio management services is without guaranteeing or assuring, either directly or indirectly, any return. The Portfolio Manager shall charge no upfront fee, directly or indirectly, to the clients.



## 17. TAXATION

**17.1** The information furnished below outlines briefly the tax regulations which may be relevant to the investors and is based on relevant provisions of the Income-tax Act, 1961 ("IT Act") as proposed to be amended by the Finance Bill 2023.

The Finance Act, 2023, has provided an option to Individuals and HUF for payment of taxes at the following reduced rates from Assessment Year 2024-2025 and onwards:

<i>Type</i>	<i>Old Regime</i>			<i>New Regime</i>	
<i>Age Bracket</i>	<i>&lt; 60 Yrs</i>	<i>60 - 80 Yrs</i>	<i>&gt;80 Yrs</i>	<i>All Age Groups of Individuals</i>	
<i>Total Income (INR)</i>	<i>Rate*</i>	<i>Rate</i>	<i>Rate</i>	<i>Total Income (INR)</i>	<i>Rate</i>
Up to 250000	NIL	NIL	NIL	Up to 300000	NIL
From 250,001 to 300000	5%	NIL	NIL	From 300001 to 600000	5%
From 300,001 to 500000	5%	5%	NIL	From 600001 to 900000	10%
From 500,001 to 10,00,000	20%	20%	20%	From 900001 to 1200000	15%
Above 10,00,001	30%	30%	30%	From 1200001 to 1500000	20%
				Above 1500000	30%

**17.2** The summary below provides general information on Indian Income-tax implications but is neither intended to be a complete discussion of all tax implications, nor does it purport to be a complete description of all potential tax costs, tax incidence and risks inherent on the acquisition, ownership and sale of Indian securities.

**17.3** In addition, the comments herein are not binding on the Indian tax authorities and there can be no assurance that the authorities will not take a position contrary to any of the comments herein. It is emphasized that neither the Portfolio Manager nor any other person involved in the preparation of this document accepts responsibility for any tax effects or liabilities resulting from the purchase, ownership or disposition of the Indian securities. Prospective investors should consult their own tax advisors concerning their individual tax consequences of their particular situations.

**17.4** We do not make any representation regarding any legal interpretations. Since the information below is based on relevant provisions as of February 2023, any subsequent changes in the said provisions could affect the tax benefits.

**17.5** General Taxation: The basis of charge of Indian income-tax depends upon the residential status of the taxpayer during a tax year, as well as the nature of the income earned. The Indian tax year runs from April 1 until March 31. A person who is an Indian tax resident is liable to taxation in India on his worldwide income, subject to certain tax exemptions, which are

afforded under the provisions of the IT Act. A person who is treated as non-resident for Indian income-tax purposes is generally subject to tax in India only on such person's India sourced income.

- 17.6** Section 90(2) of the IT Act provides that where the Government of India has entered into an agreement with the Government of any country outside India or specified territory outside India (where the taxpayer is a resident) for granting relief of tax or avoidance of double taxation, the taxpayer may opt to be taxed as per provisions of the IT Act or the tax treaty/DTAA, whichever is more beneficial
- 17.7** This chapter does not discuss the tax implications applicable to the non-resident Investors under a beneficial DTAA [Section 90(2) of the IT Act], which would need to be analysed separately based on the specific facts.
- 17.8** The Indian Government has deposited the ratified Multilateral Instrument (“**MLI**”) to implement tax treaty related measures to prevent Base Erosion and Profit Shifting (“**BEPS**”) on 25 June 2019 with Organisation for Economic Co-operation and Development (“**OECD**”). India has notified 93 tax treaties in its ratification and accordingly, India's tax treaties with such countries will include MLI provisions with effect from 1 April 2020.
- 17.9** This chapter does not discuss the impact of MLI on the claim of beneficial tax treatment under DTAA by a non-resident Investor. The same would need to be analysed separately based on the specific facts, where applicable. Further, the tax rates mentioned herein are exclusive of applicable surcharge and cess, unless specified otherwise.
- 17.10** Taxation of individual income component: Tax implications of the following income received by certain categories of clients from investments in securities as per IT Act are discussed as follows:

(a) **Dividend Income:**

For FY 2023-2024 Dividend will be taxed in the hands of shareholder at effective rate of 35.88%

- (i) For Resident shareholder: 10% (no surcharge and cess applicable) (TDS withholding u.s 194 / 194K);
- (ii) For Non-resident shareholder: 20% (plus surcharge and cess) under section 115A subject to any beneficial rate available under the applicable tax treaty

The new regime also proposes to levy TDS at the rate of 10% on the income paid by a specified company<sup>1</sup>/ MFs to its resident shareholders / resident unitholders if the amount of such income exceeds five thousand rupees in a financial year. However, no tax shall be required to be deducted by the Mutual Fund on income which is in the nature of capital gains.

**Deduction under section 57:** The FA 2020 allowed deduction of interest expense incurred while earning the dividend income. The expense allowance is restricted to 20% of the dividend income without deduction under section 57. The expense allowance is not a standard deduction per se and the shareholder / unitholder would need to establish and demonstrate that interest expense was actually incurred for the

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<sup>1</sup> As referred to in clause (h) of section 2 of the Unit Trust of India (Transfer of Undertaking and Repeal) Act, 2002.

purpose of earning the dividend income. Further, it may be noted that interest expenditure is not likely to be allowable in the year when no dividend income is received by the shareholder / unitholder. Hence, in case of Nil dividend income, the expenditure may not be allowable.

**Roll over benefit:** Section 80M of the IT Act provides for benefit of roll-over of deduction for the dividend received by a domestic company from another domestic / overseas company or a business trust (Real Estate Investment Trust / Infrastructure Investment Trust). Accordingly, where a corporate domestic investor is receiving dividend from a domestic / overseas company or a business trust, such investor shall be eligible for deduction of tax paid on dividend income received ('roll-over benefit under Section 80M') on further dividend distributed by them to their shareholders. This is done to avoid cascading effect of taxation on the same dividend income.

- (b) **Gains from sale of securities – Characterization of income:** Gains arising from the sale of securities in India (shares, derivatives etc.) may be taxed as Capital Gains (CG) or Business Income (BI) under the provisions of the IT Act, depending on the facts and circumstances of the case.

Characterization of income arising from the sale of Indian securities has been the subject of legal debate. The CBDT issued Circular No 4/2007 dated 15 June 2007 outlining certain judicial principles pronounced by various courts on the determination of whether shares are held as stock-in-trade or held as investments. The Circular states that no single principle is determinative and that the specific facts and circumstances of each case are required to be considered in order to make a determination of whether the shares held would be regarded as stock-in-trade or investment.

The nature of income from the disposal of securities will be classified as **CG** or **BI** depending on whether the investments are held as assets, investments with the object of capital appreciation or stock in trade for the purpose of trade / adventure.

The following conditions are to be generally considered for determining the nature of such income:

- (i) The motive of the entity is to earn profits through dividends, or from capital appreciations
  - (ii) The substantial nature of transactions, the manner of maintaining books of accounts, the magnitude of purchases and sales and the ratio between purchases and sales
  - (iii) Intent of the assessee as is evidenced by the documents / records
  - (iv) Whether the charter documents authorize any such activity
  - (v) Volume, frequency, continuity and regularity of transactions of purchase and sale
- (c) While the above discussion is predominantly in the context of transactions related to shares, on principles it could equally apply even to derivatives. Therefore in the context of derivative transactions, given the short duration and nature of the

transactions it is likely that the transaction would be considered as giving rise to BI rather than income from CG.

Furthermore, the CBDT has provided further guidance on the matter vide circular No.6/2016 dated 29 February 2016 as follows:

- (i) Where the taxpayer opts to treat listed shares and securities as stock in trade, the income arising from transfer of such shares / securities would be treated as its BI.
  - (ii) If the taxpayer desires to treat income arising from the transfer of listed shares and securities held for more than 12 months as CG, the same shall not be disputed by the tax officer. However, such a stand adopted by the assessee will remain applicable in subsequent assessment years also and cannot be altered.
  - (iii) In all other cases the nature of the transaction shall continue to be decided basis the facts of each particular case
- (d) The above referred circular applied to listed shares and securities. Therefore, to bring parity in taxability of income/loss arising from transfer of unlisted shares the CBDT issued circular No.225/12/2016 dated 2 May 2016 determining the tax-treatment of income arising from transfer of unlisted shares for which no formal market exists for trading.

CBDT vide this circular clarifies that income arising from transfer of unlisted shares would be considered under the head CG, irrespective of period of holding with a view to avoid disputes/litigation and to maintain a uniform approach.

However, CBDT carves out three exceptions wherein this clarification shall not apply, namely:

- (i) genuineness of transactions in unlisted shares itself is questionable
- (ii) transfer of unlisted shares is related to an issue pertaining to lifting of corporate veil and
- (iii) transfer of unlisted shares is made along with the control and management of underlying business

Thus, it is important to clearly understand the intent of issue of the aforesaid circulars by CBDT from time-to-time and to interpret in a rational manner where gain arising from the sale of securities should be classified under the head CG or BI.

- (ii) **Capital Gains:** As per Section 45 of the IT Act, any profits or gains arising from the transfer of capital assets are chargeable to income-tax under the head 'capital gains'. Section 48 of the IT Act provides that income chargeable as CG is the difference between the full value of the consideration received or accrued on the transfer and the cost of acquisition of such asset plus expenditure in relation to such transfer (indexed in case the shares, being listed shares are held for more than 12 months and purchased in INR). Unlisted shares if not held for more than 24 months will be a short term capital asset and therefore not eligible for indexation.

The sale of securities would be taxed as under in the case of resident investors.

Type of gain	Period of Holding	Tax rate
Short-term	12 months or less <sup>2</sup> for listed shares and 24 months or less for unlisted shares	15% in case of equity shares or units of an equity-oriented fund listed on any recognised stock exchange in India and the sale is chargeable to STT.  Ordinary rate of tax applicable to the respective investors i.e. at the rate up to 30% for corporate investors, 30% for partnership and limited liability partnerships and at the applicable slab rates for individual investors in case of shares that are not listed on any recognised stock exchange in India and in case of listed shares being sold/ transferred in a transaction not chargeable to STT.
Long-term	More than 12 months for listed shares and more than 24 months for unlisted shares	10% in case equity shares are listed on any recognised stock exchange in India and the purchase and sale transaction of such equity shares is chargeable to STT <sup>3</sup> . Further, LTCG shall be chargeable only in case where the capital gain exceeds INR 1,00,000 (Indian Rupees One Lakhs only).  20% (after considering indexation) for equity shares which are not listed on any recognised stock exchange in India.

Gains on sale of securities would be taxed as under in the case of non-resident investors

Type of gain	Period of Holding	Tax rate
Short-term	12 months or less for listed shares and 24 months or less for unlisted shares	15% in case of equity shares or units of an equity-oriented fund listed on any recognized stock exchange in India and the sale is chargeable to STT.  Ordinary rate of tax applicable to the respective investors i.e. at the rate of 40% for corporate investors, 30% for partnerships and at the applicable slab rates for other non-corporate investors in case of shares that are not listed on any recognized stock exchange in India and in case of listed shares being sold/ transferred in a transaction not chargeable to STT.

<sup>2</sup> Period of holding of 12 months considered only in case of shares or securities of an Indian company listed on a recognized stock exchange in India or Units of UTI or Units of an Equity Oriented Mutual Fund or Zero-Coupon Bonds. In respect of unlisted shares, period of holding is considered as 24 months and it is considered as 36 months for other securities.

<sup>3</sup> Subject to certain specified exceptions on payment on STT at the time of purchase.

Type of gain	Period of Holding	Tax rate
Long-term	More than 12 months for listed shares and more than 24 months for unlisted shares	<p>10% in case equity shares are listed on any recognized stock exchange in India and the purchase and sale transaction of such equity shares is chargeable to STT. Further, LTCG shall be chargeable only in case where the capital gain exceeds INR 1,00,000 (Indian Rupees One Lakh only).</p> <p>10% (in case equity shares listed on any recognised stock exchange but transaction of sale/ transfer not chargeable to STT (without giving effect to first and second proviso to Section 48)</p> <p>Gains on the sale of shares of unlisted companies are subject to tax 10% (without giving effect to first and second proviso to Section 48)</p>

- (iib) **Business Income:** As discussed above, the gains on sale of derivative contracts in the futures segment should generally be characterized as BI and the same would be taxable at the rate up to 30% or other ordinary applicable rate.

However, where the derivative contracts are entered into by a person, are settled otherwise than by delivery of transfer of the shares, it may be classified as speculative income, which is a special class of BI (this class of BI cannot set off losses from non-speculative income streams and loss can be carried forward only for four years).

However, where the derivative contracts are entered into electronically through a broker / sub broker on a Stock Exchange, where the broker provides a time stamped contract note, with the PAN of the client thereon, then the income will not be considered as speculative income

Where the Portfolio Manager adopts certain strategies (say 'Long Short') which involves simultaneous purchase/sale of securities and derivative products, it might be possible that the tax authorities could construe the same as "trading income" and tax it as Business income (i.e., at higher tax rates).

- (ii) **Interest Income:** Classification of interest income is a matter of dispute with contradicting judicial precedents. Whether interest income would be assessable as business income or income from other sources would depend upon the nexus it has with the assessee's business. Interest income is taxable at the ordinary rate of tax applicable to the respective investors i.e., up to the rate of 30% for Indian resident corporate investors, 30% for partnerships and at the applicable slab rates for individual investors.

In case where the listed debt securities (including zero coupon bonds) are transferred, any gains derived from such transfer shall be taxed up to the rate of 30% as short-term capital gains where the period of holding is 12 months or less and at the rate of 10% as long-term capital gains where the period of holding is more than 12 months.

Income-tax provisions applicable to Non-residents in respect of receipt of income from fixed Income products are summarized below:

- (a) In terms of Section 115A of the IT Act, interest on monies borrowed in foreign currency (other than interest referred to in subsequent paragraphs) is taxable at 20% (subject to any tax treaty).
- (b) In terms of Section 115AB of the IT Act, income of an assessee, being an overseas financial organization (Offshore Fund) by way of income received in respect of units purchased in foreign currency or income by way of long term capital gains arising on transfer of units purchased in foreign currency, tax is charged @ 10% subject to tax treaty benefit, if any. The payor is required to withhold the applicable taxes. No deduction shall be allowed against this income u.s 28 to s. 44C or s. 57(i) or 57(iii) or Chapter VI-A. No indexation shall be allowed on LTCG arising on transfer of units.
- (c) In terms of Section 115AC of the IT Act, income of non-resident by way of interest on bonds of an Indian Company issued in accordance with the notified scheme i.e. 'Issue of Foreign Currency Exchangeable Bonds Scheme, 2008'/'Issue of Foreign Currency Convertible Bonds and Ordinary Shares (Through Depository Receipt Mechanism) Scheme, 1993/ Depository Receipts Scheme 2014' or on bonds of public sector company sold by the government and purchased by the investor in foreign currency or income by way of dividends on GDR or income by way of long term capital gains arising on transfer of above bonds or GDR's, will be taxed at the rate of 10% (plus applicable surcharge Health and Education cess) subject to tax treaty benefit, if any. The payor is required to withhold the applicable taxes.
- (d) In terms of Section 115AD of the IT Act, income of a Foreign Institutional Investor received in respect of securities (other than units referred in Section 115AB) as defined under the Securities Contracts (Regulations) Act, 1956 is taxed @ 20% (plus applicable surcharge and Health and Education cess) subject to tax treaty benefit, if any. The payor is required to withhold the applicable taxes.
- (e) Similar provision is available for other than FII investors who invest in Long-term Bonds of Indian company in foreign currency, withholding shall be done under Section 194LC of the IT Act at 5% (plus applicable surcharge and Health and Education cess) subject to satisfaction of certain conditions (interest to be calculated at the rate approved by Central Government, having regards to the terms of the bonds and its repayment), subject to tax treaty benefit, if any. The payor shall withhold applicable taxes.
- (f) Any interest (other than above) on loan received in India currency is taxable at 40% (subject to tax treaty benefit, if any).

#### **Rate of surcharge**

The above rates of income-tax in this document shall be increased by the following surcharge on income-tax and education cess on income-tax and surcharge.

As per the Finance Act, 2021 with effect from 1 April 2021	Surcharge on income-tax	Education Cess on income-tax and surcharge
Rate of surcharge on Indian companies with income exceeding INR 10 million but less than INR 100 million	7%	4%
Rate of surcharge on Indian companies with income exceeding INR 100 million	12%	4%
Resident companies opting for taxation under section 115BAA and section 115BAB	10%	4%
Rate of surcharge on Foreign companies with income exceeding INR 10 million but less than INR 100 million	2%	4%
Rate of surcharge on Foreign companies with income exceeding INR 100 million	5%	4%
Rate of surcharge on Partnership firm / LLP with income exceeding INR 10 million	12%	4%
Individuals / HUF / AOP / BOI: where the total income exceeds INR 5 Million / 10 Million / 20 Million / 50 Million (Please refer to the note below)	10% / 15% /25% /37%	4%

*Note: The enhanced rates of surcharge (essentially the 25% and 37% rate of surcharge applicable for income greater than INR 20 million and INR 50 million respectively), shall not apply for dividend income, capital gain arising to FII on transfer of any securities and in case of capital gains arising on an on-market transfer of the following securities (where applicable securities transaction tax has been paid) as referred to in section 111A and 112A of the ITA:*

- *Equity shares*
- *Units of an equity-oriented fund*
- *Units of a Real Estate Investment Trust (REIT) or Infrastructure Investment Trust (InvIT)*

Further, as per the Finance Bill, 2022, the surcharge for tax on all form of long term capital gain shall be capped to 15%.

*The Finance Act, 2023 has mentioned that the rate of surcharge shall be capped @ 25% for persons opting for the new tax regime.*



### **Tax Collected at Source**

With effect from 1 October 2020, where the Seller of goods receives any amount as consideration for sale of goods of the value exceeding INR 5 million, such Seller is required to collect from Buyer a sum equal to 0.1% of the sale consideration, exceeding INR 5 million. This shall not be applicable in case Buyer is liable to deduct taxes at source from the payments made to the Seller and has deducted such amount.

Seller for the purpose of TCS provisions under section 206C(1H) of the ITA has been defined to mean a person whose total sales, turnover or gross receipts exceeds INR 100 million during the financial year immediately preceding the financial year in which sale of goods is carried out.

'Goods' for the purpose of TCS provisions could include shares and securities. There are currently alternative interpretations of the applicability of TCS to transactions in securities including qualifying criteria for a "Seller".

The CBDT, vide Circular No. 17 of 2020 (dated 29 September 2020), has carved out certain transactions wherein the provisions of section 206C(1H) of the ITA shall not apply. This *inter alia* includes transactions in securities and commodities which are traded through various recognized stock exchanges or cleared and settled by the recognized clearing corporation, including recognized stock exchanges or recognized clearing corporation located in International Financial Service Centre.

Accordingly, where transactions in securities and commodities are traded through recognized stock exchanges, the provisions of section 206C(1H) shall not apply.

### **Tax Deducted at Source (TDS) under section 194Q**

With effect from 1 July 2021, a buyer while making payment to resident seller on purchase of goods having value exceeding INR 5 million during the financial year is required to withhold tax at the rate of 0.1% under Section 194Q of the ITA.

'Buyer' for the purpose of section 194Q is defined as a person whose total sales, gross receipts or turnover from the business carried on exceeds INR 100 million during immediately preceding financial year in which the purchase of goods is carried out.

'Goods' for the purpose of section 194Q could include shares and securities. There are currently alternative interpretations of the applicability to transactions in securities including qualifying criteria for a "Buyer".

CBDT has also issued a clarificatory circular no. 13 / 2021 dated 30 June 2021 to address various issues in relation to the applicability of Section 194Q. As per the said circular, no TDS u/s 194Q shall apply in case of transactions in securities and commodities which are traded through recognized stock exchanges or cleared and settled by the recognized clearing corporation including recognized stock exchanges or recognized clearing corporations located in IFSC. This is in line with the CBDT circular issued in the context of Section 206C(1H).

Accordingly, where transactions in securities and commodities are traded through recognized stock exchanges, the provisions of section 194Q shall not apply in the hands of buyer.

Further, TDS under Section 194Q shall not be applicable where the buyer is a non-resident and the purchase of goods is not effectively connected to its permanent establishment in India (if any).

#### **Withholding of tax at higher rate**

As per Section 206AA of the IT Act<sup>4</sup>, where a recipient of income (which is subject to withholding tax) does not furnish its Permanent Account Number (“PAN”), then tax is required to be deducted by the payer at the higher of the following i.e., (i) rates specified in the relevant provisions of the IT Act; (ii) rates in force; or (iii) at 20% (twenty per cent) / 5% (five per cent) in case of withholding of tax under Section 194Q. In case of non-residents not having a PAN, this provision requiring tax deduction at a higher rate shall not apply if they furnish certain prescribed information / documents (including their tax residency certificate).

Accordingly, in case of recipient who do not have a PAN, tax shall be withheld at a minimum rate of 20% (twenty per cent) / 5% (five per cent) for TDS under Section 194Q, except in case of non-resident investors who furnishes certain prescribed information / documents (including their tax residency certificate) are provided by such Investors being non-residents.

Separately, under Section 206AB of the IT Act, where the recipient (other than a non-resident not having a permanent establishment in India) has not filed its income tax return for two financial years preceding the relevant financial year and such recipient has suffered withholding tax or tax has been collected from such recipient of an amount aggregating to INR 50,000 or more in each of the last two financial years, then except in case of certain specified payments, tax shall be withheld at higher of the following rates:

- twice the rate provided under the IT Act; or
- twice the rate or rates in force; or
- the rate of 5%.

Further, where the recipient has neither furnished its PAN (which entails withholding of tax at minimum of 20% or 5%, as the case may be, under Section 206AA) nor filed its tax return for last two financial years, tax shall be withheld at higher of the rates under both the provisions.

Under the Finance Bill 2022, it is proposed to amend the provisions of Section 206AB to provide that higher withholding tax rate shall apply only in case of persons (other than a non-resident not having a permanent establishment in India) who has not filed its income tax return for the immediately preceding financial year for which the time limit under Section 139(1) has expired, and such recipient has suffered withholding tax or tax has been collected from such recipient of an amount aggregating to INR 50,000 or more in the relevant preceding year.

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<sup>4</sup> Not applicable in case of interest on long term bonds referred to under Section 194LC of the IT Act.

### **Deemed income on investment in shares / securities**

In terms of Section 56(2)(x) of the IT Act, if shares / securities are received for less than the fair market value of the shares / securities (computed as per prescribed rules), the difference between the price paid and fair value if above Rs 50,000 then it shall be deemed as ordinary income of the recipient.

Separately, if shares other than “quoted shares” are transferred for less than the fair value of the shares (computed as per prescribed rules), the fair value of such unquoted shares shall be deemed to be the sale consideration for the seller, for computing its capital gains for Indian tax purposes. “Quoted share” is defined as “the share quoted on any recognised stock exchange with regularity from time to time, where the quotation of such share is based on current transaction made in the ordinary course of business.”

### **Bonus Stripping**

According to Section 94(8), in case of units purchased within a period of 3 months prior to the record date (for entitlement of bonus units) and sold/transferred/redeemed within 9 months after such date, the loss arising on transfer of original units shall be ignored for the purpose of computing the income chargeable to tax. The loss so ignored shall be deemed as cost of acquisition of such bonus units.

### **General Anti-Avoidance Rules (GAAR)**

The Finance Act, 2012 had introduced General Anti-Avoidance Rules (GAAR) into Act, which, subsequent to the amendments introduced by the Finance Act, 2015, has come into effect from April 1, 2017.

As per the provisions of IT Act, Indian tax authorities have been granted wide powers to tax ‘impermissible avoidance arrangements’ including the power to disregard entities in a structure, reallocate income and expenditure between parties to the arrangement, alter the tax residence of such entities and the legal situs of assets involved, treat debt as equity and vice versa. The GAAR provisions are potentially applicable to any transaction or any part thereof.

The term ‘impermissible avoidance arrangement’ has been defined to mean an arrangement where the main purpose is to obtain a tax benefit, and it:

- (a) Creates rights, or obligations, which are not ordinarily created between persons dealing at arm's length;
- (b) Results, directly or indirectly, in the misuse, or abuse, of the provisions of the IT Act;
- (c) Lacks commercial substance or is deemed to lack commercial substance; or
- (d) Is entered into, or carried out, by means, or in a manner, which are not ordinarily employed for bona fide purposes

Further, an arrangement shall be presumed, unless it is proved to the contrary by the taxpayer, to have been entered into, or carried out, for the main purpose of obtaining

a tax benefit, if the main purpose of a step in, or a part of, the arrangement is to obtain a tax benefit, notwithstanding the fact that the main purpose of the whole arrangement is not to obtain a tax benefit.

In case the GAAR is applied to any transaction pertaining to the Fund, it could have an adverse impact on the taxability of the Fund and/ or its Investors and hence, impact the returns to the Investors.

It is provided that GAAR shall not apply, inter alia, to arrangements where the aggregate tax benefit in a relevant year, to all the parties involved, does not exceed INR 3,00,00,000 (Indian Rupees Thirty million).

#### **Other applicable taxes**

Wealth tax has been abolished by the Finance Act, 2015.

**Securities Transaction Tax (“STT”)** - As discussed above the concessional rate for short term capital gains and long term capital gains would be applicable only if the sale / transfer of the equity shares takes place on a recognized stock exchange in India. All transactions entered on a recognised stock exchange in India will be subject to STT levied on the transaction value at the applicable rates.

The rates of STT are as follows: -

<b>Sr No</b>	<b>Nature of taxable securities</b>	<b>STT Rates %</b>	<b>Payable by</b>
1(a)	Purchase of an equity share in a company where the transaction is entered into in a recognized stock exchange and the contract is settled by actual delivery or transfer of such shares	0.1	Purchaser
1(b)	Purchase of a unit of an equity-oriented fund where the transaction is entered into in a recognized stock exchange and the contract is settled by actual delivery or transfer of such units	NIL	Purchaser
2(a)	Sale of an equity share in a company where the transaction is entered into in a recognized stock exchange and the contract is settled by actual delivery or transfer of such shares	0.1	Seller
2(b)	Sale of a unit of an equity-oriented fund where the transaction is entered into in a recognized stock exchange and the contract is settled by actual delivery or transfer of such units	0.001	Seller
3	Sale of an equity share in a company/ unit of an equity-oriented fund where the transaction is entered into	0.025	Seller

Sr No	Nature of taxable securities	STT Rates %	Payable by
	in a recognized stock exchange and the contract is settled otherwise than by actual delivery or transfer of shares/units.		
4(a)	Sale of an option in securities (STT will be payable on the option premium)	0.05	Seller
4(b)	Sale of an option in securities where the option is exercised (STT will be payable on the settlement price)	0.125	Purchaser
4(c)	Sale of a future in securities	0.01	Seller
5	Sale of units of an equity-oriented fund to the Mutual Fund	0.001	Seller
6	Sale of unlisted equity shares by any holder of such shares under an offer for sale to the public including in an IPO and where such shares are subsequently listed on a recognized stock exchange	0.2	Seller

The amount of STT paid in respect of the taxable securities transactions entered into in the course of a business during the previous year can be claimed as deduction, if the income arising from such taxable securities transactions is included in the income computed under the head ***Profits and gains from business and profession [Section 36(1)(xv)]***.

#### **Stamp Duty and Transfer Tax**

The Finance Act, 2019 has amended the above law to provide that stamp duty shall be levied uniformly throughout the country on transfer of securities in physical as well as dematerialized form.

Applicable stamp duty under various scenarios are tabulated below:

Particulars	Rate	Leviable on
<b>1. Issue of securities</b>		
Shares	0.005%	Issuer
Debentures	0.005%	Issuer
<b>2. Transfer of securities</b>		

<b>A. Shares</b>		
On delivery basis	0.015%	Buyer
On non-delivery basis	0.003%	Buyer
In physical form	0.015%	Seller/ Transferor
<b>B. Debentures</b>		
Marketable	0.0001%	Buyer
Non-marketable	0.0001%	Seller/Transferor

A stamp duty will be imposed on purchase of mutual funds – equity and debt funds – from July 1, 2020. As per SEBI, 0.005% stamp duty will be levied on purchase of mutual funds, including lump sum, SIP, STP, and dividend reinvestment. It is, however, not applicable on redemption of units. Meanwhile, a stamp duty of .015% will also be imposed in case of transfer of units between demat accounts.

*There can be no guarantee that the above position regarding taxation of the Client would necessarily be accepted by the income-tax authorities under the IT Act. No representation is made either by the Portfolio Manager or any employee, partner or agent of the Portfolio Manager in regard to the acceptability or otherwise of the above position regarding taxation of the Client by the income tax authorities under the IT Act. Prospective Investors are urged to consult their own tax advisers in this regard*

## **18. ACCOUNTING POLICIES**

**18.1** The following accounting policy will be applied for the investments of clients:

**18.2** Books and Records would be separately maintained in the name of the Client to account for the assets and any additions, income, receipts and disbursements in connection therewith, as provided by the PMS Regulations. Accounting under the respective Portfolios will be done in accordance with Generally Accepted Accounting Principles in India.

**18.3** The Portfolio Manager and the Client can adopt any specific norm or methodology for valuation of investments or accounting the same may be mutually agreed between them on a case specific basis.

**18.4** The Portfolio Manager shall keep and maintain proper books of accounts, record and documents for each Client so as to explain transactions for each Client and to disclose at any point of the Portfolio holding of each Client.

**18.5** The following accounting policies will be applied for the Portfolio investments of Clients:

(a) Basis of Accounting

The financial statements are prepared on an accrual basis of accounting under the historical cost convention.

(b) Use of estimates

The preparation of financial statements requires the management to make estimates and assumptions that affect the reported amounts of assets and liabilities as of the date of the financial statements and reported revenues and expenses for the year. Although these estimates are based on the management's best knowledge of current events and actions, uncertainty about these assumptions and estimates could result in outcomes different from the estimates. Difference between actual results and estimates are recognised in the period in which the results are known or materialise.

(c) Capital

Capital represents infusions (net of withdrawals, if any) of Funds/Securities contributed by the Client under the PMS Agreement.

(d) Investments

Accounting for investment transactions: Purchase and sale of investments are recorded on trade date basis, after considering brokerage, if any. Securities Transaction Tax levied on purchase/sale of Securities during the financial year is recognised as an expense in the books of accounts. Investments as at the Balance Sheet date are reflected at Cost. Investments are allocated to the Client based on pre-determined criteria at weighted average price of the day's transaction.

Bonus rights and splits are recorded on the respective ex-dates notified by the Company.

(e) Portfolio valuation

1. Investments in listed equity and debt instruments will be valued at the closing market prices on the National Stock Exchange ("**NSE**"). If the Securities are not traded on the NSE on the valuation day, the closing price of the Security on the Bombay Stock Exchange will be used for valuation of Securities. In case of the securities that are not traded on the valuation date, the last available traded price shall be used for the valuation of securities. Investments in units of mutual funds shall be valued at the Net Asset Value of the previous day or at the last available Net Asset Value declared for the relevant Scheme on the date of the report.
2. Unlisted Securities/investments will be valued at cost till the same are priced at fair market value. Such fair value may be determined by an agency appointed by the Portfolio Manager, on periodic basis (at least half yearly)
3. Unrealized gains/losses are the differences, between the current market value/Net Asset Value and the cost of the Securities as recorded by the Fund Manager.
4. Fixed Income Valuation - Valuation will be based on the prices provided by CRISIL

(f) Revenue Recognition

- (i) Profit or loss on sale of investments is recognised on the date of transaction and is determined by applying the First in - First out principle.

- (ii) Dividend income is accounted for when unconditional right to receive is established.
- (iii) Interest on Fixed Deposits is accrued on a time proportionate basis at the underlying interest rates.

In respect of all interest-bearing investments, income shall be accrued on a day-today basis as it is earned. Therefore, when such investments are purchased, interest paid for the period from the last interest due date up to the date of purchase should not be treated as a cost of purchase but shall be debited to Interest Receivable Account. Similarly, interest received at the time of sale for the period from the last interest due date up to the date of sale must not be treated as an addition to sale value but shall be credited to Interest Receivable Account. In case where debt securities have matured and remained overdue, interest is accrued only upto the date of maturity of the respective securities or as per agreed terms with the investee companies. Penal interest, interest for the period subsequent to the maturity date of the securities and premium on redemption etc. are recognised on realization basis. For moratorium period, interest is accrued only if confirmed by the investee companies. In case of uncertainty on recovery of overdue interest the same is accrued on receipt basis.

- (g) **Portfolio Management Fees:** Portfolio management fees could include a fixed management fee and a variable performance fee. The amount of fixed and variable fees will be as agreed with the client and defined in the Client Agreement. Issues related to the frequency at which fees are charged and how they are calculated will also be as defined in the Client Agreement with each individual client. The fixed management fee will be as agreed in the Client Agreement terms and conditions and is payable quarterly. The performance fees as agreed with the client in the Client Agreement will be based on customer’s assets under management. These management fees are agreed to with the client and are usually in the form of basis points. The management fees can also be a combination of fixed assets under management linked plus a performance-linked fee, which would be offered under the Bespoke category. Performance fees will be charged on on the basis of agreement terms relating to such performance incentives.

(h) Expenses

All expenses are accrued and accounted on following basis which shall be subject to cap limit:

<b>Audit Fees</b>	<b>Allocated based on pre-determined criteria.</b>
Depository Charges & Transaction Charges	At actuals based on actual invoice received from the Custodians.
Management Fees & Performance based Fees	Accrued in accordance with the Agreement entered with the Client.



Securities Transaction Tax	At actuals on basis of allocation of investment.
Custodian, Audit and Fund Accounting Fees	At actuals based on actual invoices received from respective parties.

(i) Provision for tax

No provision for tax has been made on the income earned during the period since as per the PMS Agreement, all tax liabilities are the Client's sole responsibility. Tax deducted at source on interest income is recorded on confirmation obtained from Bank.

(j) Audit

- (i) The Portfolio accounts of the Portfolio Manager shall be audited annually by an independent chartered accountant to ensure that the Portfolio Manager has followed accounting methods and procedures and that the Portfolio Manager has performed his duties in accordance with the law. A certificate to this effect, if specified, to be submitted to SEBI within 6 months of close of Portfolio Manager's accounting period.
- (ii) The Portfolio accounts of the Portfolio Manager shall be audited annually by an independent chartered accountant and a copy of the certificate issued by the chartered accountant shall be given to the Client.
- (iii) The client may appoint a chartered accountant to audit the books and accounts of the Portfolio Manager relating to his transactions and the Portfolio Manager shall co-operate with such chartered accountant in course of the audit.

The accounting policies and standards as outlined above are subject to changes made from time to time by Portfolio Manager. However, such changes would be in conformity with the PMS Regulations.

## 19. DETAILS OF DIVERSIFICATION POLICY

The Portfolio Manager will diversify investments among asset classes, providing a balance with the goal of enhancing the total return of the portfolio while attempting to avoid undue risk concentration.

The investment portfolio will be diversified across asset classes and managers including but not limited to domestic equity, international equity, fixed income, REITs, InvITs, Commodities, Privet Equity, Private Debt & Cash Equivalents. The Investment Committee will set the long-term asset allocation targets and ranges for different strategies and approaches offered by the PMS manager.

Decisions regarding the allocation targets or the inclusion of new asset classes will be made when such action is expected to increase the expected return and/or reduce the risk of the portfolio or when deemed appropriate by the internal Investment Committee of the PMS provider. Expected return, risk, and correlation, and these characteristics' overall impact on the portfolio, will be analysed before such asset class can be included.

The asset allocation should allow for (i) a diverse portfolio without undue concentration in any single asset class and (ii) enough flexibility to adapt to various market environments.

## **20. INVESTORS SERVICES**

### **20.1 Name, address and telephone number of the Investor Relation Officer / Compliance Officer who shall attend to the Investor queries and complaints.**

Name	Mr. Kartik Kini
Designation	Compliance Officer
Address	142, 14th Floor, Maker Chambers VI, 220 Jamnalal Bajaj Marg, Nariman Point, Mumbai 400021, India.
Telephone number	+91 9820349123
E – mail address	pms@waterfieldadvisors.com

### **20.2 Grievance redressal and dispute settlement mechanism**

The objective of grievance redressal system is to ensure that all clients are treated fairly at all times and that any complaints raised by the clients are dealt with courtesy and in time. The Portfolio Manager shall endeavour to address all complaints regarding services, deficiencies or causes for grievances, for whatsoever reason, in a reasonable and timely manner.

To ensure the same, the following system shall be put in place:

- (a) The Client should promptly notify any grievances to the Compliance Officer in writing, giving sufficient details to enable the Portfolio Manager to take necessary steps.
- (b) The Compliance Officer, on receipt of any such grievances, shall take prompt action to redress the same on a best effort basis no later than 1 month from the date of receipt of complaint. The Compliance Officer shall also inform SEBI about the number, nature and other particulars of the complaints received.
- (c) If the grievance persists, all claims and disputes arising out of or in connection with the PMS Agreement or its performance shall be settled by arbitration by a sole arbitrator mutually acceptable to the Parties to such arbitration. If the Parties fail to agree on the appointment of a sole arbitrator within 30 days of the dispute being referred to arbitration, the sole arbitrator shall be appointed in accordance with the Arbitration & Conciliation Act, 1996 as amended from time to time. The arbitration shall be governed by the provisions of the Arbitration & Conciliation Act, 1996 as amended from time to time and unless otherwise agreed by the Parties to such arbitration, the arbitration proceedings shall be held in Mumbai and the proceedings shall be conducted in English language. Any action or suit involving the PMS Agreement with a Client, or the performance of the PMS Agreement by either Party of its obligations will be exclusively in courts located at any place in India subject to the jurisdiction clause in the PMS Agreement. All the legal actions and proceedings

are subject to the exclusive jurisdiction of court in Mumbai only and are governed by Indian laws.

- (d) Alternatively, with effect from September 2011, SEBI has launched a web-based centralized grievance system called SCORES i.e., SEBI Complaints Redressal System, for online filing, forwarding and tracking of resolution of investor complaints. The Client may also make use of the SCORES facility for any escalations on redressal of their grievances. Following is the link to visit the website and inform their dispute/complaints against the company <https://scores.gov.in/scores/complaintRegister.html>.
- (e) In accordance with the SEBI Circular SEBI/HO/IMD/IMD-II\_DO7/P/CIR/2021/681 dated 10 December 2021, the following information shall be available on the website of the Portfolio Manager:
  - (i) The investor charter prescribed by SEBI ([www.waterfieldadvisors.com](http://www.waterfieldadvisors.com)); and
  - (ii) Monthly data on all complaints received against the Portfolio Manager, including SCORES complaints, by the 7th day of every month ([www.waterfieldadvisors.com](http://www.waterfieldadvisors.com)).

### **20.3 Anti-Money Laundering Compliances:**

The Government of India has put a policy framework to combat money laundering through the Prevention of Money Laundering Act, 2002. Prevention of Money Laundering Act, 2002 and the rules notified there under came into effect from 1 July 2005. Director, FIU-IND, and Director (Enforcement) have been conferred with exclusive and concurrent powers under relevant sections of the Prevention of Money Laundering Act, 2002 to implement the provisions of the Prevention of Money Laundering Act, 2002. Consequently, SEBI has mandated that all registered intermediaries formulate and implement a comprehensive policy framework on anti-money laundering and adopt 'Know Your Customer' ("KYC") norms.

Further, SEBI vide Circular No. SEBI/HO/MIRSD/DOS3/CIR/P/20]8/104 dated 15 October 2019 (which supersedes all the earlier circular) issued a 'Master Circular for Guidelines on Anti-Money Laundering (AML) Standards and Combating the Financing of Terrorism (CFT) /Obligations of Securities Market intermediaries under the Prevention of Money Laundering Act, 2002 and Rules frame thereunder' consolidating all the requirements/instructions/obligations of securities market intermediaries.

Accordingly, the investors should ensure that the amount invested by them is through legitimate sources only and does not involve and are not designed for the purpose of any contravention or evasion of any act, rules, regulations, notifications or directions of the provisions of Income Tax Act, 1961, Prevention of Money Laundering Act, 2002, Prevention of Corruption Act, 1988 and or any other applicable laws enacted by the Government of India from time to time. The Portfolio Manager is committed to complying with all applicable anti-money laundering laws and regulations in all of its operations. Accordingly, the Portfolio Manager reserves the right to reject or refund or freeze the account of the client if the client does not comply with the internal policies of the Portfolio Manager or any of the Applicable Laws including the KYC requirements.

The Portfolio Manager shall not be held liable in any manner for any claims arising whatsoever on account of freezing the account/rejection or refund of the application etc. due to non-compliance with the provisions of any of the aforesaid regulations or Applicable Laws.

Investors are requested to note that KYC is mandatory for all investors. SEBI vide circular no. MIRSD/SE/Cir-21/2011 dated 5 October 2011, and CIR/MIRSD/ 11/2012 dated 5 September 2012, has mandated that the uniform KYC form and supporting documents shall be used by all SEBI registered intermediaries in respect of all new clients from January 1, 2012. Further, SEBI *vide* circular no. MIRSD/Cir-23/2011 dated 2 December 2011, has developed a mechanism for centralization of the KYC records in the securities market to bring about uniformity in securities markets.

Accordingly, KYC registration is being centralized through KYC Registration Agencies registered with SEBI. Thus, each Client has to undergo a uniform KYC process only once in the securities market and the details would be shared with other intermediaries by the KYC Registration Agencies. Applications shall be liable to be rejected if the Clients do not comply with the aforesaid KYC requirements.

As per the 2015 amendment to PML (Maintenance of Records) Rules, 2005, every reporting entity shall capture the KYC information for sharing with the Central KYC Records Registry in the manner mentioned in the PML (Maintenance of Records) Rules, 2005, as per the KYC template for 'Individuals' finalized by Central Registry of Securitisation Asset Reconstruction and Security Interest. Accordingly, the KYC template finalized by Central Registry of Securitisation Asset Reconstruction and Security Interest shall be used by the registered intermediaries as Part I of account opening form for individuals.

Signature by two Directors of the Portfolio Manager

Director: \_\_\_\_\_

Name: **Ms. Soumya Rajan**

Place: **Mumbai**

Date: December 04, 2023

Director: \_\_\_\_\_

Name: **Mr. Amit Patni**

Place: **Mumbai**

Date: December 04, 2023

**FORM C**

Securities and Exchange Board of India (Portfolio Managers) Regulations, 2020

(Regulation 22)

**Waterfield Financial and Investment Advisors Private Limited**

Address: No. 142, Maker Chamber VI, 220 Jamnalal Bajaj Marg, Nariman Point, Mumbai,  
Maharashtra, India, 400021

Telephone number: 022 662100700]

E-mail: pms@waterfieldadvisors.com

We confirm that:

- i) the Disclosure Document forwarded to the Securities and Exchange Board of India is in accordance with the SEBI (Portfolio Managers) Regulations, 2020 and the guidelines and directives issued by the Securities and Exchange Board of India from time to time;
- ii) the disclosures made in the document are true, fair and adequate to enable the investors to make a well-informed decision regarding entrusting the management of the portfolio to us / investment in the Portfolio Manager;
- iii) The Disclosure Document has been duly certified by an independent chartered accountant M/s. Shah & Ramaiya Address: 36/227, RDP 10, Sector 6, Charkop, Near Ambe Mata Mandir, Kandivali (West), Mumbai: 400067; Phone no.: 91-22-28085277 bearing registration no. 126489W on December 04, 2023.

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**Ms. Soumya Rajan**

Date: December 04, 2023

Place: Mumbai

## Annexure I

### Related Party Disclosures

(A) Related parties and transactions with them as identified by the Management are given below:

(i) Holding Company:

Waterfield Advisors Private Limited (WFA)

(ii) Fellow Subsidiary Company:

Waterfield Fund Managers Private Limited (WFM)

(iii) Key Management Personnel's (KMPs):

Soumya Rajan (SR) - Director

Amit Kumar Patni (AKP) - Director

(iv) Relatives of Key Management Personnel's (KMPs):

Mukund Rajan (MR) - Spouse of SR

Arihant Patni (AP) - Brother of AKP

Ruchi Patni (RP) - Wife of AKP

(v) Enterprises over which persons mentioned in (i), (iii) and (iv) exercises significant influence or control directly or indirectly

Lakshmi Machine Works Limited (LMWL)

(Amount in 000's)

Particulars	Holding Company / Fellow Subsidiary/ Key Management Personnel / Relatives of KMP	
	31-Mar-23	31-Mar-22
<b><u>Fees from Advisory Services:</u></b>		
LMWL	-	-
Soumya Rajan	1,000.00	1,000.00
<b>Total</b>	<b>1,000.00</b>	<b>1,000.00</b>
<b><u>Reimbursement of Expenses / (Income)</u></b>		
Waterfield Fund Managers Private Limited	(2,826.47)	(6,558.99)
Waterfield Advisors Private Limited	(12,463.63)	484.14
<b>Total Expenses / (Income)</b>	<b>(15,290.10)</b>	<b>(6,074.85)</b>
<b><u>Rent Paid:</u></b>		
Waterfield Advisors Private Limited	-	4,800.00
<b>Total</b>	<b>-</b>	<b>4,800.00</b>

<b>Interest Expense:</b>		
Waterfield Advisors Private Limited	1,351.31	911.87
<b>Total</b>	<b>1,351.31</b>	<b>911.87</b>
<b>Loan Repaid:</b>		
Waterfield Fund Managers Private Limited	-	-
Waterfield Advisors Private Limited	1,17,291.97	34,120.18
<b>Total</b>	<b>1,17,291.97</b>	<b>34,120.18</b>
<b>Loan Taken:</b>		
Waterfield Fund Managers Private Limited	21,500.00	-
Waterfield Advisors Private Limited	99,040.00	55,275.67
<b>Total</b>	<b>1,20,540.00</b>	<b>55,275.67</b>
<b>Interest Accrued and Due on Borrowings (Net of TDS):</b>		
Waterfield Advisors Private Limited	68.09	820.68
<b>Total</b>	<b>68.09</b>	<b>820.68</b>
<b>Issue of Equity Shares during the year:</b>		
Waterfield Advisors Private Limited	-	2,00,000.00
<b>Total</b>	<b>-</b>	<b>2,00,000.00</b>
<b>Closing Balance Outstanding as on 31st March:</b>		
<b>Loan Taken (Including Interest net of TDS)</b>		
Waterfield Advisors Private Limited	14,749.10	31,199.92
Waterfield Fund Managers Private Limited	21,505.04	
<b>Total</b>	<b>36,254.14</b>	<b>31,199.92</b>
<b>Receivable / (Payable) (including Provision for expenses)</b>		
<b>Balances as on 31st March:</b>		
Waterfield Fund Managers Private Limited	3,306.97	6,775.94
Waterfield Advisors Private Limited	14,969.48	(484.14)
<b>Total</b>	<b>18,276.96</b>	<b>6,291.80</b>

(Amount in 000's)

Particulars	Enterprises over which KMPs or Relative of KMPs exercises significant influence or control directly or indirectly	
	31-Mar-23	31-Mar-22
<b>Fees from Advisory Services:</b>		
LMWL	4,000.00	4,000.00
Soumya Rajan	-	-
<b>Total</b>	<b>4,000.00</b>	<b>4,000.00</b>